PROVINCE OF MANITOBA

This description of Province of Manitoba is dated as of October 25, 2001 and appears as Exhibit (1) to the Province of Manitoba's Annual Report on Form 18-K to the U.S. Securities and Exchange Commission for the fiscal year ended March 31, 2001.

This document (otherwise than as part of a prospectus contained in a registration statement filed under the Securities Act of 1933) does not constitute an offer to sell or the solicitation of an offer to buy any Securities of the Province. The delivery of this document at any time does not imply that the information herein is correct as of any time subsequent to its date.

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FURTHER INFORMATION

This document appears as an exhibit to Manitoba's Annual Report to the U.S. Securities and Exchange Commission on Form 18-K for the fiscal year ended March 31, 2001. Additional information with respect to Manitoba is available in such Annual Report, in the other exhibits to such Annual Report and in amendments thereto. Such Annual Report, exhibits and amendments can be inspected and copied at the public reference facilities maintained by the Commission at: Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such documents may also be obtained at prescribed rates from the Public Reference Section of the Commission at its Washington address or, without charge, from Province of Manitoba, Department of Finance, Treasury Division, Room 4, Legislative Building, Winnipeg, Manitoba R3C 0V8, Canada.

In this document, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars ("$" or "C$") and all references to "dollars" are to Canadian dollars. See "Canadian Foreign Exchange" for information regarding the rates of conversion of U.S. dollars and other foreign currencies into Canadian dollars.

At October 24, 2001, the noon spot exchange rate for U.S. dollars as reported by Bank of Canada, expressed in Canadian dollars, was $1.5745.

Totals in the statistical tables set forth in this document may not add due to rounding.

SUMMARY

The following information is qualified in its entirety by the more detailed information in this document.

PROVINCE OF MANITOBA

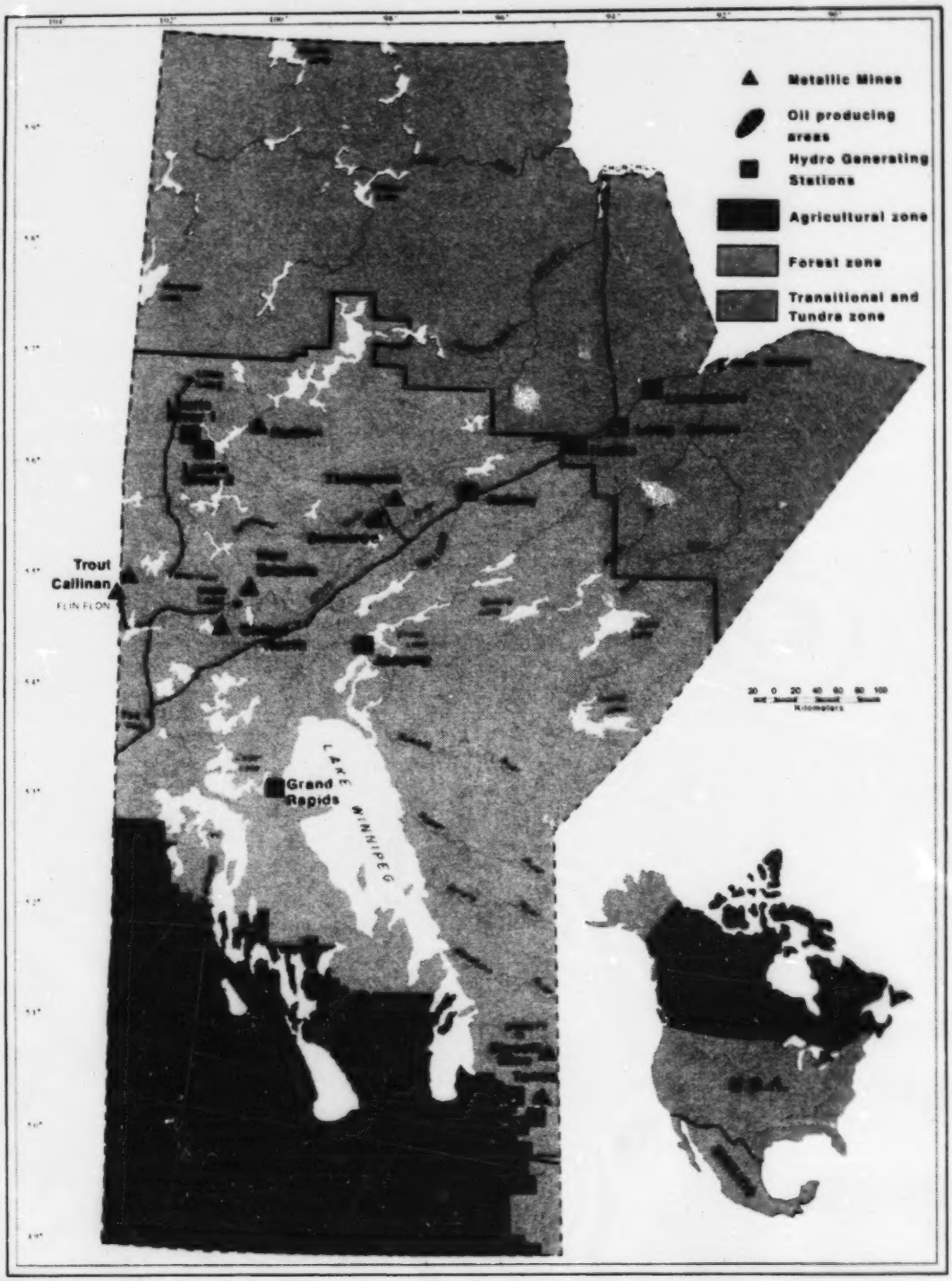
Economy	Year Ended December 31,					Compound Annual Growth Rate
	1996	1997	1998	1999	2000	1996-2000
	(In millions of dollars unless otherwise indicated)					
Nominal Gross Domestic Product	$28,420	$29,173	$30,099	$31,120	$32,834	3.7%
Change in Real Gross Domestic Product						
Manitoba		2.7%	3.6%	4.1%	2.2%	3.2%
Canada	1.6	4.3	3.9	5.1	4.4	—
Manufacturing Shipments	$8,737	$9,727	$10,373	$10,656	$11,344	6.7
Farm Cash Receipts	2,816	3,076	2,972	2,956	3,113	2.5
Capital Investment	3,978	4,872	4,967	5,030	5,007	5.9
Personal Income	24,485	25,069	26,140	26,825	28,469	3.8
Population at July 1 (in thousands)	1,134	1,137	1,138	1,142	1,146	0.3
Average Unemployment Rate		7.2%	6.5%	5.5%	5.6%	4.9%
Change in Consumer Price Index (Manitoba)	2.2	2.2	1.3	1.9	2.5	—
Average Exchange Rate (C$ per U.S.$)	1.3636	1.3844	1.4831	1.4858	1.4852	—

Government Finances — Operating Fund	Year Ending March 31,				
	1998	1999	2000	2001	Budget Estimate 2002
	(In millions of dollars)				
Revenue including Fund Transfers (1)	$5,841.9	$6,067.7	$6,522.5	$6,752.0	$6,863.4
Expenditure including Fund Transfers (1)	5,765.7	6,036.6	6,511.7	6,711.2	6,853.0
Budgetary Surplus	$76.2	$31.1	$10.8	$40.8	$10.4

Net Direct Funded and Guaranteed Debt	As of March 31,				
	1997	1998	1999	2000	2001
	(In millions of dollars)				
Consisting of					
Net Direct Funded Debt	$12,537	$12,527	$12,797	$13,218	$13,765
Net Provincial Guaranteed Debt	1,014	791	601	241	391
	$13,551	$13,318	$13,398	$13,459	$14,156
Issued for					
General Government Programs	$6,808	$6,763	$6,774	$6,718	$6,798
Self-Sustaining Purposes	6,743	6,555	6,624	6,741	7,358 (2)
	$13,551	$13,318	$13,398	$13,459	$14,156
General Government Programs Debt as a Percentage of Nominal Gross Domestic Product	23.9%	23.1%	22.5%	21.6%	20.7%

(1) Includes transfers from Fiscal Stabilization Fund and to the Debt Retirement Fund. See "Government Finances."

(2) Includes $220 million in refinancing of hospital facilities debt and $170 million in refinancing of The Manitoba Lotteries Corporation debt, which was previously incurred directly by those entities and was an indirect obligation of the Province.


Metallic Mines
Oil producing areas
Hydro Generating Stations
Agricultural zone
Forest zone
Transitional and Tundra zone
Trout
Callinan
FLIN FLON
Grand Rapids
LAKE WINNIPEG
U.S.A.

PROVINCE OF MANITOBA

General Information

The Province of Manitoba is located in the center of Canada, north of the States of Minnesota and North Dakota. It is the most easterly of the three Provinces of Manitoba, Saskatchewan and Alberta, which together constitute the Prairie Region of Canada. Manitoba is bounded on the east by the Province of Ontario, on the north by Hudson Bay and the Territory of Nunavut, and on the west by the Province of Saskatchewan. The Province has 400 miles of northern coastline bordering on Hudson Bay. The only seaport in the Prairie Region is located at Churchill on Hudson Bay.

Of Manitoba's total area of 251,000 square miles, 39,000 square miles are lakes and rivers and 163,000 square miles are lands owned by the Province. Cultivated land comprises 30,000 square miles in the southern part of the Province. The northern part of the Province, which is part of the Canadian Shield, is composed largely of timberlands and extensive areas of mineralized rock structure.

The estimated population of Manitoba on July 1, 2001 was 1,150,000, of whom approximately 680,000 lived in Winnipeg, the capital of the Province. Winnipeg has a diversified economic base with significant activity in a variety of manufacturing and service sectors. The city is also a major rail, truck and air transportation hub by virtue of its geographical position in the center of the continent.

The second largest city in the Province is Brandon, with a population of approximately 40,000. Brandon, in western Manitoba, is a major supply center for the agriculture industry, as well as an agriculture-related manufacturing center.

Constitutional Framework

Canada consists of a federation of provinces and Federal territories. A constitutional division of powers between the Federal and provincial governments was established by the *British North America Act, 1867*, an Act of the Parliament of the United Kingdom. By later enactments, including the *Constitution Act, 1982*, the power to amend the Constitution of Canada (the "Constitution") was transferred to Canada.

Under the Constitution, the Provinces are assigned jurisdiction over health care, education, municipal institutions, property and civil rights, natural resources and other matters of purely provincial or local concern. Each Province has exclusive jurisdiction over the borrowing of money on the sole credit of that Province. The Parliament of Canada has jurisdiction over all areas not assigned exclusively to the provincial legislatures, including such matters as aboriginal persons, the federal public debt and property, the regulation of trade and commerce, currency and coinage, banks and banking, national defense, foreign affairs, postal services, interprovincial transportation and communications undertakings.

Various Constitutional issues have been under discussion in Canada for a number of years. On August 20, 1998, in response to a reference from the Federal Government, the Supreme Court of Canada ruled that under the Constitution of Canada and international law, Quebec may not secede unilaterally from Canada, but that if the people of Quebec voted to secede by a clear majority vote on a clear question, the other Provinces and the Federal Government would be obliged to enter negotiations with Quebec with respect to secession, such negotiations to be guided by constitutional principles, including federalism, democracy, constitutionalism and the rule of law, and the protection of minorities.

Provincial Government

The Provincial Government has general responsibility for the administration of all governmental activities and functions within Manitoba, other than those which are under the jurisdiction of the Federal Government. It carries out certain of these responsibilities through Provincial agencies, boards, commissions and Crown organizations. Certain other responsibilities

have been delegated to municipalities and semi-autonomous bodies such as school boards and regional health authorities.

The executive power in the Province of Manitoba is vested in the Lieutenant Governor acting on the advice of the Executive Council, which is responsible to the Legislative Assembly. The Lieutenant Governor is appointed by the Governor General of Canada in Council.

The Executive Council, which includes the Premier and Ministers of Departments of the Provincial Government, is appointed by the Lieutenant Governor usually on the nomination of the leader of the party with the largest number of members in the Legislative Assembly. All members of the Executive Council are usually members of the Legislative Assembly.

The Legislative Assembly has 57 members who are elected for a term of five years subject to earlier dissolution of the Assembly by the Lieutenant Governor, usually on the recommendation of the Executive Council. In the latest general election of members of the Legislative Assembly, held on September 21, 1999, the New Democratic Party was elected to a majority of seats.

The following table sets forth the results of the three most recent elections of the Province.

	1990	1995	1999
New Democrat	20	23	32
Progressive Conservative	30	31	24
Liberal	7	3	1
Total	57	57	57

ECONOMY

General

Manitoba has a diversified economy. Its major industries are manufacturing, real estate, transportation and storage, wholesale and retail trade, construction and communication. The largest components of manufacturing are food processing, transportation equipment, machinery, fabricated metals; wood; furniture; chemicals; plastics; and printing. Agricultural production is diversified between crops and livestock. In transportation, Manitoba is a major center for truck, rail and air transport, and there is a deep-sea port at Churchill on Hudson Bay. The Province exports a large portion of its production.

The following table sets forth growth rates in 2000 for key economic indicators and selected sectors of the economy for Manitoba and Canada, as well as the unemployment rate for 2000.

	Manitoba	Canada
Gross Domestic Product	5.5%	8.3%
Real Gross Domestic Product	3.2	4.4
Capital Investment	−0.5	5.5
Foreign Merchandise Exports	9.0	15.8
Manufacturing Shipments	6.5	9.2
Farm Cash Receipts	5.3	7.8
Value of Mineral Production	40.8	55.9
Retail Sales	4.1	6.2
Single-Detached Housing Starts	5.2	0.0
Consumer Price Index	2.5	2.7
Employment	2.2	2.6
Average Unemployment Rate	4.9	6.8

Year-to-date data for 2001 indicate that farm cash receipts, foreign merchandise exports, utilities sales, retail sales, single-detached housing starts and manufacturing shipments are increasing. According to the July 2001 Statistics Canada survey of investment intentions, capital investment is expected to increase by 0.6% to $5.0 billion as public investment increases 2.1% and private investment remains unchanged.

The following table sets forth selected indicators of economic activity and the compound annual growth rates for the Province and Canada for the years 1996 through 2000. In this table and throughout this document, compound annual growth rates are calculated by distributing the aggregate amount of growth during the period on the basis of a constant annual rate of growth compounded annually.

SELECTED ECONOMIC INDICATORS

	Year Ended December 31,					Compound Annual Growth Rate
	1996	1997	1998	1999	2000	1996-2000
	(In millions of dollars unless otherwise indicated)					
Nominal Gross Domestic Product (1)						
Manitoba	$28,420	$29,173	$30,099	$31,120	$32,834	3.7%
Canada	839,064	885,022	915,865	975,263	1,056,010	5.9
Real Gross Domestic Product						
Manitoba (2)	26,234	27,181	28,295	28,904	29,823	3.3
Change	2.7%	3.6%	4.1%	2.2%	3.2%	—
Canada (3)	$848,663	$885,022	$919,770	$966,362	$1,009,182	4.4
Change	1.6%	4.3%	3.9%	5.1%	4.4%	—
Personal Income	$24,485	$25,069	$26,140	$26,825	$28,469	3.8
Personal Income Per Capita (in Dollars)	21,592	22,048	22,970	23,489	24,842	3.6
Retail Sales	7,920	8,589	8,773	9,026	9,396	4.4
Capital Investment	3,978	4,872	4,967	5,030	5,007	5.9
Single-Detached Housing Starts (Units)	1,875	2,019	2,368	2,231	2,348	5.8
Change in Consumer Price Index						
Manitoba	2.2%	2.2%	1.3%	1.9%	2.5%	—
Canada	1.6	1.6	0.9	1.7	2.7	—
Population (July 1) (in thousands)						
Manitoba	1,134	1,137	1,138	1,142	1,146	0.3
Canada	29,672	29,987	30,248	30,499	30,770	0.9
Employment (in thousands)	518.6	525.6	535.7	542.7	554.4	1.7
Average Unemployment Rate	7.2%	6.5%	5.5%	5.6%	4.9%	—
Average exchange rate (C$ per U.S.$)	1.3636	1.3844	1.4831	1.4858	1.4852	—

(1) At market prices.

(2) Expressed in 1992 dollars.

(3) Expressed in 1997 dollars.

Sources: Statistics Canada, Manitoba Bureau of Statistics and Manitoba Department of Finance.

Economic Structure

The Province has a diversified economy. In 2000, goods producing industries accounted for 29.4% of real gross domestic product at factor cost. Manufacturing accounted for 13.5% of real gross domestic product at factor cost, mining, forestry and utility industries for 6.8%, construction for 5.5% and agriculture for 3.6%. The commercial service sector accounted for 49.8% of real gross domestic product at factor cost, and the non-commercial service sector for 20.7%.

The following table sets forth the Real Gross Domestic Product by industry at factor cost and the compound annual growth rates for the years 1996 through 2000.

REAL GROSS DOMESTIC PRODUCT AT FACTOR COST BY INDUSTRY (1)

	Year Ended December 31,					Compound Annual Growth Rate
	1996	1997	1998	1999	2000	1996-2000
	(In millions of 1992 dollars)					
Goods Producing Industries						
Manufacturing	$2,971	$3,231	$3,431	$3,463	$3,516	4.3%
Construction	1,230	1,305	1,397	1,403	1,427	3.8
Utilities	1,074	1,103	1,113	1,094	1,171	2.2
Agriculture (2)	884	797	893	881	938	1.5
Mining	507	556	582	507	533	1.3
Forestry	47	52	52	53	55	4.0
Total Goods Producing Industries	6,713	7,044	7,467	7,402	7,640	3.3
Service Producing Industries						
Commercial Services						
Real Estate	2,714	2,859	2,942	2,977	3,022	2.7
Transportation and Storage	1,497	1,523	1,525	1,609	1,659	2.6
Wholesale Trade	1,262	1,343	1,411	1,441	1,466	3.8
Retail Trade	1,261	1,331	1,351	1,400	1,455	3.6
Communication	969	1,025	1,114	1,256	1,345	8.5
Business Services	831	901	969	1,034	1,097	7.2
Finance and Insurance	916	918	910	941	1,006	2.4
Accommodation, Food and Beverage	594	599	625	668	709	4.5
Other Services	997	984	1,045	1,123	1,188	4.5
Total Commercial Services	11,041	11,483	11,892	12,449	12,947	4.1
Non-Commercial Services						
Hospitals and Welfare	2,007	2,033	2,111	2,174	2,236	2.7
Education	1,401	1,420	1,422	1,452	1,504	1.8
Federal Administration	843	803	795	818	839	−0.1
Provincial Administration	449	436	446	456	462	0.7
Local Administration	357	355	364	379	387	2.0
Total Non-Commercial Services	5,057	5,045	5,138	5,279	5,428	1.8
Total Service Producing Industries	16,099	16,529	17,031	17,729	18,375	3.4
Real Gross Domestic Product at Factor Cost	$22,812	$23,573	$24,498	$25,131	$26,014	3.3

(1) Real Gross Domestic Product measures value added and therefore differs from the value of production or the value of shipments by industry. Real Gross Domestic Product at factor cost is the sum of all factor incomes from production in the Province. Real Gross Domestic Product at factor cost plus indirect taxes, minus subsidies, equals Real Gross Domestic Product at market prices. Amounts in the table are expressed in 1992 dollars.

(2) Agriculture also includes fishing, hunting and trapping.

Source: Manitoba Bureau of Statistics.

Manufacturing. Manufacturing is the largest sector of the Manitoba economy and is well diversified with the four largest industries accounting for only 53.7% of the value of total shipments in 2000.

The largest industry, food, accounts for 24.8% of total shipments, and produces a broad range of products. The next largest industries are: transportation equipment, primarily buses and aerospace equipment (13.1% of shipments); machinery, mainly agricultural implements (9.1% of shipments); and fabricated metals (6.7% of shipments). The remaining industries range in size from 5.7% to 1.9% of shipments.

In 2000, manufacturing shipments increased 6.5% due to new plants in the food and wood industries and to increased production in the chemical and electrical industries.

The following table sets forth the gross value of manufacturing shipments and the compound annual growth rates of the principal Manitoba manufacturing industries for the years 1996 through 2000.

GROSS VALUE OF MANUFACTURING SHIPMENTS

	Year Ended December 31,					Compound Annual Growth Rate
	1996	1997	1998	1999	2000	1996-2000
	(In millions of dollars)					
Non-durables						
Food	$1,912.8	$2,138.7	$2,136.5	$2,469.5	$2,812.3	10.1%
Chemicals	410.0	430.1	464.8	507.9	566.2	8.4
Plastics	344.2	350.0	389.6	452.5	448.8	6.9
Printing	370.0	429.8	393.1	410.8	424.1	3.5
Beverages	159.6	202.4	227.2	204.1	215.1	7.7
Other Non-durables	496.9	515.6	594.4	592.3	655.6	7.2
Durables						
Transportation Equipment	1,169.1	1,273.8	1,626.9	1,617.7	1,488.0	6.2
Machinery	1,205.9	1,406.8	1,347.3	1,050.5	1,031.5	−3.8
Fabricated Metals	414.5	517.4	543.6	710.6	757.7	16.3
Wood	280.0	341.3	421.0	476.1	645.7	23.2
Furniture	385.4	419.9	484.3	505.9	574.3	10.5
Clothing	325.5	323.2	368.3	364.9	372.3	3.4
Electrical and Electronics	151.3	151.5	172.6	184.0	241.0	12.3
Other Durables	1,111.3	1,226.5	1,203.0	1,109.6	1,111.8	0.0
Total	$8,736.7	$9,727.1	$10,372.5	$10,656.3	$11,344.4	6.7

Source: Statistics Canada.

In the first eight months of 2001, the value of manufacturing shipments increased 4.5% compared to the first eight months of 2000. The increase is principally due to a 32.6% increase in chemicals and a 31.5% increase in wood shipments. Overall, eight of fourteen categories of manufacturing shipments reported increases.

Agriculture. Farm cash receipts are divided between crops and livestock and are well diversified within these major sectors of production.

In 2000, farm cash receipts increased 5.3%. Crop receipts decreased 10.5% due to a decline in receipts from most major crops primarily reflecting lower prices. This was offset by receipts from specialty and forage which increased, reflecting continuing diversification. Livestock receipts increased 17.9% with hog receipts increasing 39.5%. Gains were also recorded in all other types of livestock receipts.

The following table sets forth farm cash receipts and the compound annual growth rates for the years 1996 through 2000.

FARM CASH RECEIPTS

	Year Ended December 31,					Compound Annual Growth Rate
	1996	1997	1998	1999	2000	1996-2000
	(In millions of dollars)					
Crops						
Wheat	$675.8	$662.8	$477.0	$493.5	$443.3	−10.0%
Oilseeds	485.6	607.4	715.7	395.4	339.3	−8.6
Specialty and Forage	116.3	115.2	145.2	149.2	165.9	9.3
Vegetables	143.6	145.8	160.5	175.1	159.2	2.6
Other Grains	190.0	175.7	121.5	107.0	116.6	−11.5
Other Crops	25.5	19.3	34.8	94.8	41.3	12.8
Total Crops	1,638.0	1,726.1	1,654.6	1,414.9	1,265.7	−6.2
Livestock						
Hogs	448.5	467.9	396.4	482.3	672.6	10.7
Cattle and Calves	311.5	373.8	454.1	462.0	496.9	12.4
Dairy	132.4	140.4	145.9	152.3	154.0	3.9
Poultry and Eggs	125.2	121.5	123.4	123.2	130.9	1.1
Other Livestock	103.9	104.4	105.2	105.5	108.2	1.0
Total Livestock	1,121.5	1,208.0	1,225.0	1,325.3	1,562.5	8.6
Direct Payments	56.2	142.0	92.1	216.0	284.5	50.0
Total	$2,815.7	$3,076.1	$2,971.7	$2,956.2	$3,112.7	2.5
Net Cash Income (1)	$559.9	$757.7	$628.3	$621.4	$608.5	2.1

(1) Represents farm cash receipts less operating expenses.

Source: Statistics Canada.

In 1999 and 2000, Direct Payments include payments under the temporary disaster income assistance programs for farm producers implemented by the provincial and Federal governments in respect of the 1999 spring flooding in the southwest area of the Province. This flooding prevented or delayed crop seeding in that region. These payments are estimated at $108.8 million in 1999 and $48.1 million in 2000. Direct Payments in 2000 also include a one-time $100 million payment to crop producers to compensate them for the elimination of transportation subsidies.

In 1995, subsidies for grain transportation under the *Western Grain Transportation Act* were eliminated. This has increased the cost to the farmer of shipping grain produced in the Province but is also resulting in changes in Manitoba agriculture such as a different mix of production and more value added locally. In connection with the termination of the subsidies, Manitoba agricultural landowners received approximately $250 million in one-time compensation payments in 1996 and 1997. These one-time payments are not included in farm cash receipts. In 1997, there were additional one-time compensation payments to farmers who rent land of approximately $59 million, which are included in cash receipts.

In the first six months of 2001, cash receipts increased 19.6% over the same period in 2000. Crop cash receipts increased 14.9%, primarily due to higher prices and increased volumes, with the increases occurring across all the major crop categories. Livestock cash receipts increased 20.9% with hogs, and cattle and calves increasing substantially. Direct Payments increased $51.0 million or 33.1%.

In 2001, crop production is expected to be above average. The drought conditions that affected large parts of the North American plains did not affect Manitoba. The livestock industry in Manitoba continues the growth pattern of the past five years with hogs and cattle and calves leading the growth.

Minerals. The principal metals produced in Manitoba are nickel, zinc, copper, and gold. Other metals include cobalt, platinum and silver. Industrial minerals produced consist principally of sand and gravel, peat moss, stone, and lime.

The two companies with the largest mining operations in Manitoba, accounting for approximately 65% of all mineral production, are Inco Limited, which produces mainly nickel, copper and cobalt, and Hudson Bay Mining and Smelting Co., Limited, which produces mainly copper and zinc.

In 2000, the total value of mineral production in Manitoba increased 40.8% to $1,260 million. The value of metal production increased 41.3% in 2000 as a result of higher production volumes of nickel, due largely to a return to normal production levels at the Province's largest nickel mine, as well as higher prices. The value of petroleum production increased 75.7%, reflecting higher prices, while the value of industrial mineral production decreased 6.0%.

The following table sets forth the gross value of mineral production and the compound annual growth rates for the years 1996 through 2000.

GROSS VALUE OF MINERAL PRODUCTION

	Year Ended December 31,					Compound Annual Growth Rate
	1996	1997	1998	1999	2000	1996-2000
	(In millions of dollars)					
Metals						
Nickel	$374.4	$442.0	$341.7	$277.1	$570.1	11.1%
Zinc	118.6	148.5	142.1	139.0	135.6	3.4
Copper	169.5	165.3	121.8	122.4	127.9	−6.8
Gold	102.3	120.6	118.1	111.4	94.6	−1.9
Other Metals	60.6	64.5	84.7	68.0	86.3	9.2
Total Metals	825.4	940.9	808.4	717.9	1,014.5	5.3
Petroleum	107.4	105.1	73.9	96.6	169.7	12.1
Industrial Minerals	69.2	79.6	84.7	80.6	75.7	2.3
Total	$1,001.9	$1,125.7	$967.1	$895.0	$1,259.9	5.9

Sources: Statistics Canada and Manitoba Department of Energy and Mines.

Overall mineral production values are expected to decline in 2001 as a result of lower prices. The Harmony gold mine at Bissett discontinued production in September, 2001 and was placed in a maintenance mode while new financing is being sought. The mine represented approximately 25% of the Province's gold output.

Services. The service sector comprises a wide range of activities including transportation, finance, trade, tourism and personal services. From 1996 through 2000, commercial service industries accounted for 48.1% of average total employment in Manitoba, and non-commercial (primarily publicly funded) services accounted for 25.3%.

Winnipeg is an air, rail and trucking hub, connected to Canadian and international markets. Both of Canada's national railways pass through Winnipeg where they have large operations. Several of Canada's largest trucking firms are headquartered in Manitoba. Because Winnipeg International Airport is one of the few that does not have nighttime landing restrictions, and is centrally located in North America, it is a major hub for courier services.

Commodity trading and financial services are important components of Winnipeg's economy. In particular, the city is the center of Canada's grain trade. The Canadian Wheat Board is located in Winnipeg. The Winnipeg Commodity Exchange is the only commodity exchange, and the second largest futures exchange, in Canada. Nine grain companies have their head office or Canadian head office in Winnipeg. Winnipeg is also the headquarters of Canada's largest mutual fund company, Investors Group and largest life insurance company, The Great-West Life Assurance Co.

Manitoba's central location, low-cost office space and multilingual labor force have contributed to the rapid expansion of call centers (telemarketing and customer service centers) in the Province. Data processing and engineering are important extra-provincial export-oriented industries. Winnipeg is the headquarters for Canwest Global, one of the largest media companies in Canada.

Winnipeg serves as a regional shopping center for all of southern Manitoba. In 2000, retail sales in Manitoba increased 4.1% to $9.4 billion. In the first eight months of 2001, retail sales increased 5.2% compared to the same period of 2000.

The Province has a well-developed tourism industry. As a result of Manitoba's central location, the Province attracts national and international convention activity. Winnipeg serves as a regional entertainment center for portions of North Dakota, Minnesota and northwestern Ontario. Manitoba has an excellent resource base for outdoor recreational activities and has many public and private tourism facilities. In 2000, estimated tourism expenditures by both residents of Manitoba and visitors increased by 5.1% to $1,031 million.

Merchandise Exports

In 2000, total merchandise exports amounted to $20.3 billion, an increase of 5.4% compared to 1999, and were equal to 61.9% of GDP at market prices. Foreign countries accounted for 49.3% of merchandise exports and other Canadian provinces and territories accounted for the balance. In 2000, of the total foreign merchandise exports, 76.6% were to the United States, 13.4% to Asia and 5.0% to Europe.

Over the five years 1996 to 2000, exports to the United States increased by 54.9% (representing a compound annual growth rate of 11.6%) and exports to all other countries increased by 5.5% (representing a compound annual growth rate of 1.3%). International trade agreements and changes in currency exchange rates have had a positive impact on exports over this period.

The following table sets forth foreign exports by commodity and the compound annual growth rates for the years 1996 through 2000.

FOREIGN EXPORTS BY COMMODITY (1)

	Year Ended December 31,					Compound Annual Growth Rate
	1996	1997	1998	1999	2000	1996-2000
	(In millions of dollars)					
Manufacturing						
Transportation Equipment	$636.2	$749.7	$1,048.1	$1,229.6	$1,052.9	13.4%
Food	544.6	665.0	1,040.5	834.1	842.0	11.5
Primary Metals	358.6	551.5	716.0	608.1	745.8	20.1
Machinery	625.2	766.1	718.4	503.9	584.8	−1.7
Wood	207.1	266.8	351.8	505.6	541.6	27.2
Chemicals	116.3	131.1	232.0	333.6	359.2	32.6
Electrical and Electronic	232.4	296.5	303.7	235.7	274.7	4.3
Paper and Allied	235.1	237.4	236.2	240.9	268.6	3.4
Clothing and Textiles	85.3	117.0	136.5	157.7	193.2	22.7
Plastics	98.7	109.8	137.4	170.0	178.5	16.0
Furniture and Fixtures	102.8	132.1	131.1	128.0	158.2	11.4
Printing and Publishing	46.5	65.3	92.9	101.4	124.8	28.0
Fabricated Metals	57.8	63.8	76.6	72.0	95.1	13.3
Other	167.3	191.0	183.6	227.0	340.2	19.4
Total Manufacturing	3,513.9	4,343.2	5,404.9	5,347.5	5,759.5	13.1
Agriculture						
Wheat	669.5	775.1	456.1	458.9	550.7	−4.8
Oilseeds	420.0	498.8	673.2	509.3	461.0	2.4
Hogs	154.8	164.0	155.8	165.3	207.6	7.6
Cattle	186.5	222.0	238.4	176.8	188.3	0.2
Other Grains	175.7	217.0	119.5	129.1	145.0	−4.7
Vegetables	94.3	115.6	100.2	124.5	125.7	7.4
Other Agriculture	22.8	26.7	32.0	34.6	35.7	11.9
Total Agriculture	1,723.6	2,019.2	1,775.2	1,598.5	1,714.0	−0.1
Electricity	284.8	309.8	356.2	343.0	442.7	11.7
Other Primary	40.1	40.8	43.1	45.6	43.9	2.3
Oil Trans Shipment	494.4	438.4	311.2	504.9	596.0	4.8
Other	162.8	162.6	177.9	222.9	256.7	12.1
Total	$6,219.6	$7,314.0	$8,068.5	$8,062.4	$8,812.8	9.1

(1) Most export data, except for some principal grains, are based on port-of-exit information; consequently, data for many categories do not reflect the true value of provincial foreign exports. The above data for 2000 include two items that do not truly reflect Manitoba exports. The value of nickel is $343.2 million. This does not include an estimated $114.0 million of nickel, which was exported through Ontario in that year. Oil Trans Shipment represents crude oil production that originated in Alberta and Saskatchewan and was shipped through the Province.

Source: Statistics Canada.

Total foreign exports for the first eight months of 2001 were up 9.7% compared to the first eight months of 2000. On a year-to-date basis, exports to the United States have increased by 10.1% while exports to other countries have increased by 7.9%.

Capital Investment

In 2000, capital investment decreased 0.5%. Capital investment grew in the professional and scientific sector; minerals; retail trade; information and culture; manufacturing; utilities; agriculture; and construction. Decreases occurred in transportation; wholesale trade; education; health care and social services; finance and insurance; public administration; other services; real estate; and housing. The Statistics Canada survey of investment intentions published in July 2001

indicates that capital investment in 2001 is expected to increase by 0.6%. Private capital is expected to remain unchanged, while public investment will increase 2.1%. Significant increases are expected to occur in education, and utilities. Significant decreases are expected to occur in real estate, professional and scientific, manufacturing; and other services.

The following table sets forth categories of capital investment and the compound annual growth rates for the years 1996 through 2000.

CAPITAL INVESTMENT

	Year Ended December 31,					Compound Annual Growth Rate
	1996	1997	1998	1999	2000	1996-2000
	(In millions of dollars)					
Housing	$731.8	$808.2	$865.5	$869.5	$858.0	4.1%
Manufacturing	497.9	655.8	565.1	531.4	593.4	4.5
Public Administration	412.0	380.0	395.9	535.0	513.6	5.7
Utilities	377.9	350.6	372.8	411.5	429.6	3.3
Transportation and Storage	452.8	518.1	671.3	648.2	405.1	−2.7
Agriculture	358.4	441.2	434.8	318.7	326.4	−2.3
Minerals	239.5	229.7	152.4	127.0	240.8	0.1
Finance and Insurance	112.4	234.7	235.8	276.9	238.5	20.7
Retail Trade	111.4	129.0	143.3	139.8	215.2	17.9
Real Estate	75.0	91.0	139.6	217.2	212.8	29.8
Health Care	60.0	79.4	85.9	151.8	123.5	19.8
Wholesale Trade	90.3	140.0	144.1	160.5	118.8	7.1
Professional and Scientific	45.9	127.2	98.3	54.3	110.6	24.6
Construction	104.2	108.7	135.6	109.0	109.9	1.3
Education	75.3	72.0	86.5	101.6	82.3	2.2
Other	233.2	506.2	440.3	377.7	428.2	16.4
Total	$3,978.0	$4,871.8	$4,967.2	$5,030.1	$5,006.7	5.9
Private	$2,938.9	$3,812.9	$3,937.5	$3,702.1	$3,648.9	5.6
Public	1,039.1	1,058.9	1,029.7	1,328.0	1,357.7	6.9
Total	$3,978.0	$4,871.8	$4,967.2	$5,030.1	$5,006.7	5.9

Source: Statistics Canada.

Labor Force

In 2000, employment increased by 2.2% with growth occurring in manufacturing; education and health services; information, culture and recreation; utilities; accommodation and other services; professional and administrative services; transportation; and public administration. Declines were recorded in agriculture; finance, insurance and real estate; forestry, fishing and mining, and wholesale and retail trade. In 2000, the average unemployment rate in Manitoba was 4.9%, the lowest of any province in Canada and significantly lower than Canada's rate of 6.8%.

The following table sets forth selected labor force statistics for Manitoba and Canada for the years 1996 through 2000.

LABOR FORCE

	Annual Averages,				
	1996	1997	1998	1999	2000
	(In thousands unless otherwise indicated)				
Labor Force	558.9	562.0	566.8	574.8	583.2
Employment	518.6	525.6	535.7	542.7	554.4
Participation Rate	66.5	66.6	67.0	67.5	67.9
Participation Rate (Canada)	64.7	64.9	65.1	65.6	65.9
Unemployment Rate	7.2	6.5	5.5	5.6	4.9
Unemployment Rate (Canada)	9.6	9.1	8.3	7.6	6.8

Source: Statistics Canada.

In the first nine months of 2001, seasonally adjusted employment in Manitoba increased 0.3% to 556,000, compared to the same period for 2000. Employment increases were recorded in wholesale and retail trade; information, culture and recreation; transportation; manufacturing, professional and administrative services; public administration; and forestry, fishing and mining. Declines were recorded in agriculture; accommodation and food services; construction; education and health services; utilities; and finance, insurance and real estate.

In the first nine months of 2001, the seasonally adjusted unemployment rate in Manitoba averaged 5.0%, unchanged from the same period in 2000. In the first nine months of 2001, the seasonally adjusted unemployment rate in Canada averaged 7.0%. Manitoba's seasonally adjusted labor force participation rate over the first nine months of 2001 averaged 67.9%, down from 68.0% in the same period of 2000.

Energy

Refined petroleum and natural gas provided 37.5% and 35.6%, respectively, of the Province's total energy needs in 1999, while 23.8% was provided by hydro-electric energy generated in the Province. For more information on hydro-electric energy generated in the Province, see "The Manitoba Hydro-Electric Board."

GOVERNMENT FINANCES

Under the Constitution, the Province has the power to impose direct taxation within the Province in order to raise revenue for Provincial purposes. It also has exclusive jurisdiction over the borrowing of money on the sole credit of the Province.

Under the statutes of the Province, public money is deposited to the credit of the Minister of Finance and forms part of the Consolidated Fund of the Province. Money necessary to carry out the operations of the Province in each fiscal year is voted by the Legislative Assembly, with the exception of those expenditures for which provision has already been made by special legislation, such as amounts required to service the debt of the Province and to fulfill guarantees made by the Province. In addition, the Lieutenant Governor in Council may, when the Legislative Assembly is not in session, authorize expenditures that are urgently and immediately required for the public good through the issuance of special warrants.

The financial statements for the Consolidated Fund of the Province of Manitoba (which are included in an exhibit to the Province's Annual Report on Form 18-K) reflect, in a single set of financial statements, the transactions and balances of the Operating Fund (which records the operations of government departments and programs), the Trust Fund (which records the trust administration function) and other special funds of the Province, on a combined basis. The accounts and financial statements of the Province are examined by the Provincial Auditor who is responsible to the Legislative Assembly and is required to make a report to the Legislative Assembly with respect to each fiscal year.

The revenues and expenditures of the Provincial Government are recorded in the financial statements for the Consolidated Fund on the following basis. These accounting policies have been developed and are applied in accordance with the provisions of the provincial Financial Administration Act.

a) **Revenue** — All revenues are recorded on an accrual basis except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. Government transfers are recognized as revenue in the period during which the transaction is authorized and any eligibility criteria are met. Entitlements from the Government of Canada are recorded on a cash basis except for accruals of prior year adjustments determined before June 30 each year. Recoveries of the debt servicing costs on self-supporting debt and revenue earned on investments and advances are recorded as a reduction of debt servicing expense.

b) **Expenses** — All expenses incurred for goods and services received are recorded on an accrual basis. Exceptions to this policy involve the acquisition of inventories acquired for the government's use that are reflected as expenses when incurred.

   Expenses include provisional amounts recorded in anticipation of future costs which are quantifiable and have been identified as obligations. Government transfers are recognized as expenses in the period during which the transaction is authorized and any eligibility criteria are met.

c) **Pension Benefits** — The annual cost recorded is based on the government's share of pensions paid to retired employees, teachers and Members of the Legislative Assembly, as well as current contributions to Registered Retirement Savings Plan accounts and tax paid trusts on behalf of MLAs and employees who are pensionable outside of the Civil Service Superannuation Fund. The government does not record its liability for the unfunded cost of pension benefits earned by employees, teachers and Members of the Legislative Assembly.

Fluctuations in the value of direct funded debt payable in foreign currencies, debt discounts and premiums and investment discounts and premiums are amortized monthly over the life of the debt or investment.

The accounts of the Consolidated Fund of the Province include investments in, and loans, advances and grants to, Crown organizations and government enterprises, but in general do not

include the profits or losses of such entities. Each of these entities maintains its own accounting records, which are audited annually. For information relating to loans and advances to Crown organizations and government enterprises, see "Crown Organizations and Government Enterprises."

The accounts of the Consolidated Fund do not include revenue and expenditure of local government bodies such as municipalities and school boards which carry out certain responsibilities delegated by the Province, except that provincial assistance provided to such entities is included in the accounts of the Consolidated Fund as expenditure.

In addition to the financial statements for the Consolidated Fund, the Government of Manitoba also annually prepares Summary Financial Statements (see "Summary Financial Statements") (which are included in an exhibit to the Province's Annual Report on Form 18-K) which consolidate the financial statements of the Consolidated Fund with the financial statements of the various Crown organizations and government enterprises (i.e. entities whose principal activity is carrying on a business), see "Tables of Supplementary Information — Table III and IV." The Summary Financial Statements reflect a liability for the unfunded cost of pension benefits earned by employees, teachers and Members of the Legislative Assembly.

The Provincial Government prepares a budget for each fiscal year, which estimates revenue and expenditure. In 1989, a Fiscal Stabilization Fund was established to cushion fluctuations in provincial revenue and provide a more stable basis for fiscal decisions. The Fund is also available for special initiatives. The Fiscal Stabilization Fund earns interest. Transfers to and from the Fiscal Stabilization Fund are determined by the Minister of Finance, subject to approval by the Lieutenant Governor in Council. At March 31, 2001, the Fiscal Stabilization Fund had $320.5 million in liquid assets.

The Balanced Budget, Debt Repayment and Taxpayer Accountability Act (the "Balanced Budget Act") requires the total expenditure of the Province (both current and capital) to be no greater than revenue (including transfers from the Fiscal Stabilization Fund and transfers to the Debt Retirement Fund). Exceptions are allowed only for war, disaster or a single year decline in revenue of 5.0% or more.

If a deficit not allowed under the Balanced Budget Act is incurred, the salaries of all members of the Executive Council will be reduced, and the shortfall is required to be made up in the subsequent year. These provisions do not apply in the fiscal year during which an election results in a change in the party forming the Government. The Balanced Budget Act requires minimum, annual payments to the Debt Retirement Fund, beginning in the fiscal year ended March 31, 1998, for the purpose of retiring the net general-purpose debt of the Province. The Balanced Budget Act limits tax increases by requiring the approval of voters in a referendum before the rates of four major taxes may be increased. At present, these four taxes account for about three-quarters of own source revenue and about one-half of total revenue. Exceptions are allowed for revenue-neutral rebalancing of Provincial tax rates, and for offsetting changes in federal and provincial taxes.

The Balanced Budget Act, *the Fiscal Stabilization Act* and *the Financial Administration Act* have been amended to provide for fiscal years beginning in the fiscal year ending March 31, 2001 that:

- transfers to and from the Fiscal Stabilization Fund and the Debt Retirement Fund may not be recorded as expenditure or revenue but recorded as transfers;
- debt repayments in the Debt Retirement Fund are broadened to include the pension liability of the government; and
- the proceeds from the sale of a Crown corporation may not be used in determining whether there is a positive or negative balance for a fiscal year.

Total Operating Fund expenditures and transfers to the Debt Retirement Fund for the year ended March 31, 2001 were $6,711.2 million, up $306.8 million from the budget estimate of

$6,404.4 million, reflecting higher than anticipated health care, education, agriculture and public debt expenditures, while revenue was $6,752.0 million or $337.7 million higher than the budget estimate of $6,414.3, reflecting higher than anticipated personal and corporate income taxes and federal transfers. The reported budgetary surplus for the year ended March 31, 2001 was $40.8 million as compared to an estimated surplus of $9.9 million. There were no transfers from the Fiscal Stabilization Fund.

The budget for the fiscal year ending March 31, 2002 was presented to the Legislature on April 10, 2001. Transfers from the Fiscal Stabilization Fund in the 2001/2002 fiscal year are expected to be $60.0 million.

The following table sets forth the transactions of the Operating Fund for the four fiscal years ended March 31, 2001 and the budget estimate for the fiscal year ending March 31, 2002.

STATEMENT OF OPERATING FUND TRANSACTIONS

	Year Ending March 31,				
	1998	1999	2000	2001	Budget Estimate 2002
	(In millions of dollars)				
Revenue (1)					
Individual and Corporation Income Taxes	$1,623.8	$2,022.4	$1,918.1	$2,200.8	$2,129.6
Federal Transfers	1,884.1	1,559.6	2,073.1	2,091.4	2,127.7
Other Corporation Taxes	370.9	383.1	399.5	404.7	420.4
Sales Taxes	881.9	938.0	974.6	1,000.8	1,023.2
Gasoline and Motive Fuel Taxes	218.1	224.4	218.4	223.5	224.0
Luxury Taxes	482.5	491.8	493.9	518.5	536.8
Natural Resources Revenue	118.1	86.9	93.6	138.6	162.0
Other Revenue	162.5	175.8	166.6	173.7	179.7
Total Revenue Before Transfer from Fiscal Stabilization Fund	5,741.9	5,882.0	6,337.8	6,752.0	6,803.4
Expenses (1)					
Health and Community Services	2,578.3	$2,728.9	$3,067.7	$3,302.3	$3,422.7
Education	1,045.8	1,120.5	1,187.4	1,265.9	1,301.4
Economic and Resource Development	617.7	653.7	793.6	718.2	767.5
Manitoba Tax Credit Plans	181.2	178.0	177.7	218.1	242.1
Direct Local Government Assistance	120.1	137.5	110.0	135.8	143.4
Public Debt	520.1	514.8	465.3	510.7	458.1
Consumer Services, Public Protection and Other Government Services	627.4	553.3	634.8	463.3	481.0
Allowance for Losses	0.1	(0.1)	0.2	0.9	0.8
Less: Year-End Savings (2)	—	—	—	—	(60.0)
Total Expenses Before Transfer to Debt Retirement Fund	$5,690.7	$5,886.6	$6,436.7	$6,615.2	$6,757.0
Operating Fund Surplus/(Deficit) Before Transfers	51.2	(4.6)	(98.9)	136.8	46.4
Transfer from Fiscal Stabilization Fund	100.0	185.7	184.7	—	60.0
Transfer to Debt Retirement Fund	(75.0)	(150.0)	(75.0)	(96.0)	(96.0)
Operating Fund Surplus (3)(4)	$76.2	$31.1	$10.8	$40.8	$10.4
Financing Requirements					
Refinancing					
For General Government Programs					$607.4
For The Manitoba Hydro-Electric Board					1,029.8
For Other Self-Sustaining Programs					150.4
New Cash Requirements					
For General Government Capital Investments					25.1
For The Manitoba Hydro-Electric Board					190.3
For Other Self-Sustaining Programs					197.8
Total Provincial Financing Requirement					$2,200.8

(1) For additional details, see "Tables of Supplementary Information — Tables I and II."

(2) Anticipated unexpended portion of budgeted amount.

(3) Volume 1 of the Public Accounts for the year ended March 31, 2001 reflects both the Summary Financial Statements of the Government and the transactions and balances of the Operating Fund and Special Funds of the Province of Manitoba. The Summary Financial Statements of the Government of the Province of Manitoba are designed to reflect the Government's management of public financial affairs and resources as a whole. In the opinion of the Provincial Auditor, the financial statements for the year ended March 31, 2001 have been fairly presented in accordance with the accounting policies disclosed in the notes to the financial statements. Summary Financial Statements are reflected in the "Tables of Supplementary Information — Tables III and IV."

(4) The Operating and Special Funds financial statements do not include the Government's pension liabilities. If the pension liabilities were included, the liabilities and accumulated deficit of the Operating and Special Funds as at March 31, 2001 would increase by $3.0 billion.

Revenue

Provincial Source Revenues. Of its total revenue budgeted for the fiscal year ending March 31, 2002, the Province expects to derive $4,675.7 million or about 68.7% from provincial sources.

Taxation in Canada is constitutionally divided between the Federal and Provincial Governments. The Federal Government collects taxes partly for its own expenditures and partly for distribution to the provinces. The Federal Government has authority to apply both direct and indirect taxes while provinces generally may apply direct taxes only. However, provinces may apply limited indirect taxation in the resource field. Local governments derive their taxing powers from the provinces.

The personal income tax field is shared by the Federal and Provincial Governments. Until 1999, the Province employed a three tax system: a basic income tax (calculated as a percentage of basic Federal income tax), a net income tax and a net income surtax. For many tax-filers, tax owing was reduced by a low-income tax reduction and several tax credits. Under new Federal-Provincial arrangements, the Province now has more latitude in the design of its income tax system. The Province has replaced its three tax system with a single tax with brackets and rates applied directly to taxable income. These changes were partially implemented for the 2000 tax year. The full system was implemented on January 1, 2001. These changes were accompanied by increased tax credits, which are recorded as expenses. The personal income tax is collected on the Province's behalf by the Federal government.

Personal income tax revenue in the fiscal year ending March 31, 2002 is budgeted at $1,754.4 million, net of provincial-municipal revenue sharing arrangements under which the Province allocates a portion of its gross personal income tax to local governments.

The Province is also lowering its levies on corporation income taxes of small business. The current rate of 6% of the taxable income of small businesses will be reduced to 5% effective January 1, 2002. The rate for large businesses will fall from 17% of taxable income to 16.5% on January 1, 2002 and a further 0.5% each January 1 thereafter until it reaches 15% on January 1, 2005. Corporation income tax revenue for the fiscal year ending March 31, 2002 is budgeted at $375.2 million, net of provincial-municipal revenue sharing arrangements under which the Province allocates 1.0 percentage point of its corporation income tax to local governments.

The Province applies a tax at a general rate of 7% on retail sales of most tangible personal property, with major exemptions in respect of food for home consumption, children's clothing under $150, custom software and most farm machinery and prescription drugs. Retail sales tax revenue in the fiscal year ending March 31, 2002 is budgeted at $957.6 million.

The Province levies a tax of 11.5¢ per litre on gasoline, and 10.9¢ per litre on motive fuels. For the fiscal year ending March 31, 2002, the revenues from gasoline and motive fuel taxes are budgeted at $224.0 million. There is also a tobacco tax of 9.6¢ per cigarette and 8.3¢ per gram of loose tobacco. Total tobacco tax revenue for the fiscal year ending March 31, 2002 is budgeted at $135.5 million.

A levy for financing health and post-secondary education is applied to total compensation paid to employees by Manitoba employers. Employers with annual payrolls under $1 million are exempt and those with payrolls between $1 million and $2 million are subject to reduced rates. The tax rate on taxable payroll is 2.15%. For the fiscal year ending March 31, 2002, the levy is budgeted to yield $241.4 million.

Federal Government Transfers. Transfer payments from the Federal Government are budgeted to provide $2,127.7 million, or approximately 31.3% of the Province's total budgetary revenue in the fiscal year ending March 31, 2002. Unconditional transfers, primarily receipts under a Federally funded provincial revenue equalization formula and cash payments under the Canada Health and Social Transfer, account for approximately 29.2% of total budgetary revenue. Conditional transfers, consisting mainly of federal cost-sharing payments in respect of programs for social and economic development, account for the remainder of Federal government transfers.

The largest and most important of these Federal-provincial financing arrangements are authorized by the *Federal-Provincial Fiscal Arrangements Act, 1995* (the "Federal Act"). The Federal Act establishes the concept of tax revenue equalization on a per capita basis to a value established by a formula incorporating a representative average tax system of the provinces. The Province budgeted unconditional revenue of $1,306.1 million from Federal equalization payments in the fiscal year ending March 31, 2002.

The current Canada Health and Social Transfer Arrangements within the Federal Act provide for federal assistance in respect of social programs through transfers to the Provincial governments of income taxing authority and cash payments. The amount of Federal assistance does not bear a direct relationship to the program costs of the Province, but rather is calculated on the basis of per capita entitlements. The cash component of these arrangements is budgeted at $677.8 million for Manitoba for the fiscal year ending March 31, 2002. On October 20, 2000, the Federal Government passed an Act to increase payments under the Canada Health and Social Transfer. Payments to Manitoba under the Canada Health and Social Transfer are currently estimated to reach $755.9 million in the fiscal year ending March 31, 2006.

The Federal Act includes a stabilization formula, which provides for federal grants and interest-free loans if revenue from a province's own sources plus equalization falls below 95% of the previous year's level, excluding variations of natural resource revenue. The Federal Act also provides a limited guarantee arrangement to compensate provinces for certain losses incurred during the calendar year in which a national personal income tax change results in provincial income tax reductions.

Expenditure

Health and Community Services. For the fiscal year ending March 31, 2002, expenditure on Health and Community Services is budgeted at $3,422.7 million, an increase of 3.6% over the prior year. This is the largest single expenditure category and represents 49.9% of the Province's total budgeted expenditure. Health and Community Services includes the Universal Health Benefits Plan under which hospital and medical care is available to Manitoba residents without charge. Under this Plan, the Province pays all the operating costs as well as the debt servicing costs of approved capital construction for hospitals and personal care institutions. The Province has budgeted the gross cost of services under the Plan at $2,587.8 million for the fiscal year ending March 31, 2002, an increase of 3.2% over the prior year.

Also included in this category is $808.6 million budgeted for the Province's social security program which provides income security, financial assistance to the elderly, rehabilitation services for physically and mentally handicapped persons and child welfare services.

Education. Education expenditure for the fiscal year ending March 31, 2002 is budgeted at $1,301.4 million, an increase of 2.8% over the prior year, and represents 19.0% of Manitoba's total budgeted expenditure. The major portion of this expenditure, amounting to $763 million, is for providing direct financial support to local school divisions for the approved cost of public schools in the Province as well as the debt servicing costs of approved capital construction for schools. The additional funds required to operate the public schools, plus any special projects undertaken by the school divisions, are derived from a property tax on the residents of the divisions.

This expenditure also includes financial support for the four universities and the three community colleges in the Province, which is budgeted to amount to $412.7 million for the fiscal year ending March 31, 2002.

Economic and Resource Development. Expenditure on economic and resource development is budgeted at $767.5 million for the fiscal year ending March 31, 2002, an increase of 6.9% from the prior year, and represents 11.2% of Manitoba's total budgeted expenditure. The largest item in this category is Highways and Government Services, amounting to $311.2 million.

Other. The Province also provides property and cost-of-living tax credits to residents of Manitoba, budgeted at $231.3 million for the fiscal year ending March 31, 2002.

Expenditure for Provincial assistance to local governments is budgeted at $143.4 million for the fiscal year ending March 31, 2002 and includes $69.9 million for grants to the City of Winnipeg and $14.1 million for grants in lieu of taxes to municipalities.

Consumer Services, Public Protection and Other Government Services. Expenditure for Consumer Services, Public Protection and Other Government Services is budgeted at $481.0 million, an increase of 3.8% over the prior year.

SUMMARY FINANCIAL STATEMENTS

The Summary Financial Statements of the Government of the Province of Manitoba (See "Tables of Supplementary Information — Tables III and IV") reflect the financial results of the Government Reporting Entity which consists of the Consolidated Fund plus Crown organizations and government enterprises (i.e. entities whose principal activity is carrying on a business). These financial statements consolidate the financial statements of all of the organizations comprising the Government Reporting Entity, except for government enterprises, which are accounted for by the modified equity method of accounting. The purpose of the Summary Financial Statements is to report fully the nature and extent of the financial affairs and resources for which the Government is ultimately responsible.

In order to be considered a part of the Government's Reporting Entity for the "Summary Financial Statements", an organization must be accountable for the administration of its financial affairs and resources to a minister of the Government, or directly to the Legislature, and must be owned and/or controlled by the Government, as determined by legislative provisions or by a majority holding of voting share capital. The financial operations of organizations which are not part of the Government Reporting Entity are reflected in the Summary Financial Statements only to the extent that:

1. they receive money from or pay money to the Government, or
2. any non-recoverable deficits they incur are adjusted against the amounts loaned, advanced or invested in them by the Government, or
3. where the Government has no loans, advances or investments involved, any losses they incur, which are assumed by the Government, are recorded as accrued charges.

Crown organizations are consolidated after adjusting them to a basis consistent with the accounting policies of the Government Reporting Entity. Inter-entity accounts and transactions are eliminated upon consolidation, except for retail sales tax and the levy for health and education, which remain on a gross basis as operating expenses and revenue. Where the fiscal year-end of Crown organizations is not the same as that of the Government Reporting Entity and their transactions significantly affect the financial statements, they are restated to March 31.

Government enterprises maintain their accounts in accordance with accounting principles which are generally accepted for business enterprises and which are considered appropriate to their individual objectives and circumstances. They are reported by the modified equity method of accounting without adjusting them to a basis consistent with that of the Government Reporting Entity. Under the modified equity method, the Province includes the Government enterprises' net assets and net income by adjusting the investment shown in the Province's Statement of Financial Position and by presenting the net income as a separate item on the Province's Statement of Revenues and Expenses. The financial results of enterprises are not restated to March 31 notwithstanding that their fiscal year-end may not be the same as that of the Government Reporting Entity. Inter-entity accounts and transactions are not eliminated, nor are normal inter-entity operating transactions disclosed separately.

CROWN ORGANIZATIONS AND GOVERNMENT ENTERPRISES

The Province provides certain services and promotes certain types of social and economic development through Crown organizations and government enterprises ("Crown organizations") which have access to financial assistance from the Province through advances, equity investments, guaranteed borrowings, loans and grants. Crown organizations such as The Manitoba Hydro-Electric Board are intended to operate on a commercial basis, rather than being subsidized by the Province. The Province also operates other Crown organizations, such as The Manitoba Agricultural Credit Corporation and The Manitoba Housing and Renewal Corporation, on a partially subsidized basis with funds provided from departmental appropriations. With the exception of The Liquor Control Commission and The Manitoba Lotteries Corporation, the profits of which are transferred to the Province, Crown organizations retain their profits for their own requirements. Loans, advances, investments and grants are made as required for the operations of the organizations pursuant to appropriations in the Provincial Budget or through specific enactment by the Legislative Assembly.

A valuation allowance is provided in the accounts of the Province for decreases in the value of loans, advances and investments made to Crown organizations, and is adjusted annually for changes that occur in the estimated realizable value of these assets, based on financial results applicable to the most recent fiscal year completed prior to April 1. The allowance is intended to provide for any accumulated operating and capital deficits of Crown organizations. This allowance as at March 31, 2001, was $127.5 million in respect of the Province's total investment in its Crown organizations in the amount of $8,029.6 million at such date.

The following table summarizes the loans and advances of the Province's principal Crown organizations for the years 1997 through 2001 and the allowance for losses on realization of assets as at March 31, 2001:

LOANS AND ADVANCES TO CROWN ORGANIZATIONS AND GOVERNMENT ENTERPRISES (1)

	As at March 31,					
	1997	1998	1999	2000	2001	2001 Valuation Allowance
	(In thousands of dollars)					
The Manitoba Hydro-Electric (2) Board	$5,139,393	$5,646,724	$6,202,135	$6,854,360	$7,017,104	$ —
The Manitoba Housing and Renewal Corporation	408,860	392,275	386,873	370,077	355,007	17,329
The Manitoba Agricultural Credit Corporation	206,268	213,157	258,993	310,811	314,545	27,379
The Manitoba Lotteries Corporation (3)	—	—	—	—	170,000	—
Manitoba Development Corporation	70,092	78,839	80,633	87,477	88,168	51,889
Other	75,331	97,222	192,469	92,236	84,809	30,895
Total	$5,899,944	$6,428,217	$7,121,103	$7,714,961	$8,029,633	$127,492

(1) Crown Organizations and Government Enterprises also have debt not guaranteed by the Province which consists of $195.5 million held by Canada Mortgage and Housing Corporation, an agency of the Federal government, $75.6 million held by various First Nation Bands, $2.4 million of assumed mortgages on existing property and $155.1 million held by the Public.

(2) Provincial advances have been adjusted by the foreign currency fluctuation on the Direct Debt of the Province for which Manitoba Hydro is responsible.

(3) Refinancing of debt which was previously directly incurred by this entity.

The Manitoba Hydro-Electric Board provides for a supply of electrical power adequate for the needs of Manitoba, and promotes economy and efficiency in the generation, distribution, supply and use of electrical power within Manitoba. See "The Manitoba Hydro-Electric Board." Pursuant to legislation enacted in 2001, the Government may not privatize Manitoba Hydro unless approved by the voters of Manitoba in a referendum.

The Manitoba Housing and Renewal Corporation undertakes the construction of housing projects and administers various Provincially subsidized housing programs, including rental subsidies for low income families, housing grants for elderly persons and housing improvement programs.

At March 31, 2001, the Corporation had total assets of $644.5 million represented by $321.4 million of projects completed or under construction, owned land held for development and/or sale having a book value of $13.5 million, loans and mortgages receivable of $179.1 million and other assets of $130.5 million.

The Manitoba Agricultural Credit Corporation provides credit for farmers principally through direct loans for capital purposes secured by first mortgages held by the Corporation and through guarantees of loans by chartered banks.

At March 31, 2001, the Corporation had total assets of $303.0 million, of which $270.6 million represented receivables secured by first mortgages on farmland and buildings. For the fiscal year ended March 31, 2001, the Corporation's operating deficit was $1.6 million, after a Provincial operating grant of $3.8 million. As at March 31, 2001, the accumulated deficit of the Corporation was $24.6 million, primarily representing an allowance for doubtful accounts which the Province will fund as accounts are written off.

PUBLIC DEBT

Debt Record

The Province has always paid the full face amount of the principal of and premium and interest on (a) every direct obligation issued by it and (b) every indirect obligation on which it has been required to implement its guarantee, all promptly when due in the currency in which and country where payable at the time of payment thereof, subject during wartime to any applicable laws and regulations forbidding trading with the enemy.

Direct Funded Debt of the Province

The Province borrows to fund its net cash requirement. The following table summarizes the direct funded debt of the Province by currency as at March 31 for the years 1997 through 2001.

DIRECT FUNDED DEBT OF THE PROVINCE

	As at March 31,				
	1997	1998	1999	2000	2001 (1)
	(In thousands of dollars)				
Direct Funded Debt Payable in (2):					
Canadian Dollars (3)	$7,913,617	$8,575,028	$10,175,179	$11,115,797	$11,548,212
Issues swapped to Canadian Dollars	2,930,815	2,746,411	2,045,427	2,852,563	2,624,374
U.S. Dollars	5,337,523	4,895,424	5,517,267	5,087,250	4,765,523
Issues swapped to U.S. Dollars	885,139	1,363,002	880,384	574,016	1,015,640
Total Direct Funded Debt (4)	17,067,094	17,579,865	18,618,257	19,629,626	19,953,749
Less: Sinking Funds	4,529,727	5,053,335	5,821,697	6,411,147	6,188,797
Net Direct Funded Debt	$12,537,367	$12,526,530	$12,796,560	$13,218,479	$13,764,952
Raised for the purpose of:					
General Government Programs (5)	$6,807,955	$6,763,278	$6,773,800	$6,718,334	$6,788,756
The Manitoba Hydro-Electric Board	4,526,062	4,784,110	5,083,853	5,566,339	5,670,440
Other	1,203,350	979,142	938,907	933,806	1,305,756
Net Direct Funded Debt	$12,537,367	$12,526,530	$12,796,560	$13,218,479	$13,764,952

(1) Subsequent to March 31, 2001, the Province issued funded debt of $827 million in Canadian dollars and $150 million in United States dollars, which was issued to finance maturing issues and for self-sustaining programs including Manitoba Hydro.

(2) Debentures payable in U.S. dollars and other foreign currencies are stated at the Canadian dollar equivalent using the exchange rates in effect on March 31 each year adjusted for any foreign currency contracts entered into for settlement after those dates.

(3) Direct funded debt payable in Canadian dollars includes debentures held by the Canada Pension Plan Investment Fund. Such securities are payable 20 years after their respective dates of issue, are not negotiable, transferable or assignable, but are redeemable in whole or in part before maturity at the option of the Minister of Finance of Canada, on six months' prior notice, when he deems it necessary in order to meet the requirements of the Canada Pension Plan. At March 31, 2000 and 2001, the amounts of such debentures were $1,506 million and $1,395 million, respectively.

(4) For the fiscal year ending March 31, 2002, the gross interest expense for the Province's direct funded debt is estimated to be $1,428 million, comprised of $786 million for general provincial programs (before deduction of interest income of $302 million) and $642 million in respect of debt designated by the Lieutenant Governor in Council as "self-sustaining," which is required to be serviced out of funds generated by the activity financed.

(5) Debt for general government programs consists of the total direct funded debt of the Province less debt issued for self-sustaining purposes and capital investments.

For additional information as to the direct funded debt of the Province, see "Tables of Supplementary Information — Table V."

Guaranteed Debt of the Province

The following table summarizes the guaranteed debt of the Province by currency and purpose of issue as at March 31 for the years 1997 through 2001.

GUARANTEED DEBT OF THE PROVINCE

	As at March 31,				
	1997	1998	1999	2000	2001 (1)
	(In thousands of dollars)				
Guaranteed Debt Payable in (2):					
Canadian Dollars	$560,033	$507,565	$479,632	$421,219	$416,102
U.S. Dollars	601,893	532,500	296,709	—	—
Total Guaranteed Debt	1,161,926	1,040,065	776,341	421,219	416,102
Less: Sinking Funds and Other Related Trust Funds	147,897	248,916	175,118	180,473	25,084
Net Guaranteed Debt (3)	$1,014,029	$791,149	$601,223	$240,746	$391,018
Issued by:					
The Manitoba Hydro-Electric Board	$1,005,601	$784,689	$592,600	$231,699	$382,086
Other	8,428	6,460	8,623	9,047	8,932
Net Guaranteed Debt (3)	$1,014,029	$791,149	$601,223	$240,746	$391,018

(1) Subsequent to March 31, 2001, Manitoba Hydro issued debt which was guaranteed in the amount of $301.0 million in Canadian dollars which was issued to finance maturing issues.

(2) Debentures payable in U.S. dollars are stated at the Canadian dollar equivalent using the exchange rate in effect on March 31 each year adjusted for any foreign currency contracts entered into for settlement after those dates.

(3) The table does not include contingent obligations in the amount of $18.9 million as at March 31, 2001, comprised of $0.7 million of mortgages, and $18.2 million of bank lines of credit.

For additional information as to guaranteed debt, see "Tables of Supplementary Information — Table VI."

Maturity Schedule

The following table sets forth the maturity schedule by currency of the direct funded and guaranteed debt of the Province as at March 31, 2001:

MATURITY SCHEDULE
DIRECT AND GUARANTEED DEBT (1)

Years Ending March 31,	Canadian Dollars (2)	U.S. Dollars (2)(3)	Gross Maturities	Estimated Sinking Funds Withdrawal	Net Maturities
			(In millions of dollars)		
Short-Term Debt	$538	$ —	$538	$ —	$538
2002	758	1,104	1,862	387	1,475
2003	1,824	1,162	2,986	1,276	1,710
2004	1,335	838	2,173	1,024	1,149
2005	1,219	76	1,295	387	908
2006	737	319	1,056	243	813
	6,411	3,499	9,910	3,317	6,593
2007-2011	4,237	863	5,100	1,150	3,950
2012-2021	2,554	947	3,501	1,093	2,408
2022-2040	1,386	473	1,859	654	1,205
	$14,588	$5,782	$20,370	$6,214	$14,156

(1) The table does not include contingent obligations in the amount of $18.9 million as at March 31, 2001, comprised of $0.7 million of mortgages, and $18.2 million of bank lines of credit.

(2) Debt payable in Canadian dollars and U.S. dollars includes debt swapped from other currencies.

(3) Debt payable in U.S. dollars (U.S.$3.66 billion) is stated at the Canadian dollar equivalent at March 31, 2001.

Sinking Funds

The Minister of Finance may provide for the creation and management of sinking funds for the orderly retirement of debt. The Minister of Finance may authorize, by directive, the amount, if any, to be allocated to the Province's sinking fund. The amount allocated to the sinking fund by the Province for the fiscal year ended March 31, 2001, was $122.7 million. Currently, the Province's sinking fund is invested principally in securities issued or guaranteed by Canadian provinces.

Manitoba Hydro is required by statute to provide, prior to its fiscal year end in each year, amounts for sinking funds which are not less than the sum of (a) 1% of the debt of and Provincial advances to Manitoba Hydro outstanding at the preceding fiscal year end and (b) 4% of the balance of cash and book value of securities in the sinking fund at such date. Interest earned on money and securities in the sinking fund is paid to Manitoba Hydro.

Unfunded Debt

The unfunded debt of the Province as at March 31, 2001 amounted to $1,199 million, including $376 million of accounts payable, $311 million of accrued interest and $512 million of other accrued charges. This unfunded debt was offset by current assets of the Province in the amount of $1,169 million, represented by $335 million of March 2001 tax revenue receivables, $54 million of other receivables, $101 million of interest receivable and $200 million of accounts receivable from the Federal and other governments and $479 million in cash and equivalents.

Consolidated Funded Debt of the Manitoba Public Sector

The Province supervises all financial activities of the Manitoba public sector. Certain public sector entities issue debt in their own names, which is not guaranteed by the Province. Accordingly, not all funding within the public sector is reflected in the Province's financial statements. The following table sets forth the consolidated funded debt of the Manitoba public sector at March 31 for each of the years 1997 through 2001.

CONSOLIDATED FUNDED DEBT OF THE MANITOBA PUBLIC SECTOR

	As at March 31,				
	1997	1998	1999	2000	2001
	(In millions of dollars)				
Issued for the purpose of:					
General Government Programs	$9,350	$9,305	$9,733	$9,981	$9,955
The Manitoba Hydro-Electric Board	6,314	6,719	7,009	7,503	7,655
Other Crown Organizations	2,753	2,809	2,872	2,989	2,957
Municipalities and their Enterprises	1,162	1,240	1,199	1,276	1,175
Schools and Universities	355	352	376	386	400
Hospitals and Associated Institutions	601	526	527	591	681
Total Public Sector Debt	20,535	20,951	21,716	22,726	22,823
Less: Accumulated Sinking Funds	5,013	5,639	6,367	7,030	6,674
Net Public Sector Debt	$15,522	$15,312	$15,349	$15,696	$16,149
Consisting of:					
Direct Debt of the Province (1)	$17,067	$17,579	$18,619	$19,630	$19,954
Less: Amount Provided to Municipalities, Universities and Hospitals	43	33	24	16	231
Guaranteed Debt of the Province (1)	1,162	1,040	776	421	416
Less: Amount Provided to Municipalities, Schools and Hospitals	1	—	—	—	—
Non-Guaranteed Debt of Crown Organizations	233	247	243	438	428
Less: Amount Provided to Municipalities and Hospitals	1	—	—	—	—
Municipalities and their Enterprises	1,162	1,240	1,199	1,276	1,175
Schools and Universities	355	352	376	386	400
Hospitals and Associated Institutions	601	526	527	591	681
Total Public Sector Debt	20,535	20,951	21,716	22,726	22,823
Less: Accumulated Sinking Funds	5,013	5,639	6,367	7,030	6,674
Net Public Sector Debt	$15,522	$15,312	$15,349	$15,696	$16,149

(1) U.S. and other foreign currency debt included in the Direct Debt of the Province and the Guaranteed Debt of the Province are stated at the Canadian dollar equivalent using the exchange rates in effect on March 31 each year.

Selected Debt Information

The following table sets forth certain information as to the funded debt of the Province as well as debt issued for general government programs (all net of accumulated sinking funds) as at March 31 for the years 1997 through 2001, including per capita data based upon population at July 1 of the preceding calendar year:

PUBLIC SECTOR DEBT INFORMATION

	As at March 31,				
	1997	1998	1999	2000	2001
Total Net Consolidated Funded Debt of the Manitoba Public Sector (in millions)	$15,522	$15,312	$15,349	$15,696	$16,149
Per Capita	13,688	13,467	13,488	13,744	14,092
As a Percent of Personal Income	63.4%	60.9%	58.7%	57.4%	56.8%
As a Percent of Gross Domestic Product	54.6	52.2	50.8	50.3	48.9
Total Net Direct Funded Debt of the Province (in millions)	$12,537	$12,527	$12,797	$13,218	$13,765
Per Capita	11,056	11,018	11,245	11,574	12,011
As a Percent of Personal Income	51.2%	49.9%	49.0%	49.2%	48.4%
As a Percent of Gross Domestic Product	44.1	42.7	42.3	42.3	41.7
Net Debt Issued for General Government Programs (in millions)	$6,808	$6,763	$6,774	$6,718	$6,789
Per Capita	6,004	5,948	5,953	5,883	5,924
As a Percent of Personal Income	27.8%	26.9%	25.9%	25.0%	23.9%
As a Percent of Gross Domestic Product	24.0	23.0	22.4	21.5	20.6
Net Cost of Servicing General Government Program Debt as a Percent of Provincial Revenue	9.8%	8.9%	8.5%	7.1%	7.6%

Pension Liability

The Government is required by legislation to pay 50% of the pension disbursements made to retired Provincial employees (with the exception of the share payable by Government agencies for their employees) and to retired contributors to the Teachers' Retirement Allowances Fund (TRAF). Such payments are charged to departmental appropriations as incurred and no provision is made to fund current or past service obligations of the Government to the Civil Service Superannuation Fund (CSSF) or to the TRAF. The reserves, which are presently held in these Funds represent only the employees' obligation towards the total pension liability, except as described in the following paragraph.

Certain amendments to the *Civil Service Superannuation Act* were made in 1992, which required that the CSSF establish and fund a separate account in an amount sufficient to cover the Province's actuarial costs of the 1992 amendments to the Act. The CSSF account maintained on behalf of the Province at March 31, 2001 was $28 million ($24 million in 2000).

An actuarial valuation and report of the Government's liability to the CSSF was determined as at December 31, 1998. The report also provided a formula to update the liability on an annual basis. In accordance with this formula, the Government's actuarial liability to the CSSF has been calculated on an indexed basis at $1,194 million as at March 31, 2001 ($1,116 million in 2000).

An actuarial report for TRAF was completed in January 1, 1998 and provides a formula to update the Government's pension liability, resulting in an actuarial liability of $1,687 million at March 31, 2001 ($1,607 million in 2000).

The Pension Plan for Members of the Legislative Assembly (MLAs) provides MLAs elected prior to April 25, 1995 defined pension benefits based on years of service. For those elected after April 25, 1995, the Act provides for defined contribution benefits as well as defined pension benefits for service prior to April 25, 1995. An actuarial valuation was completed in March 2000 and provides a formula to update the liability on an annual basis. The Government's liability is calculated to be $28 million at March 31, 2001 ($31 million in 2000).

The estimated pension liability for the Government and Crown organizations, including unamortized experience gain (which does not include Government enterprises such as Manitoba Hydro), may be summarized as follows:

	As at March 31,	
	2000	2001
	(In millions of dollars)	
Civil Service Superannuation Fund:		
Operating Fund	$1,248	$1,316
Crown Organizations	20	15
Members of Legislative Assembly	31	32
Teachers' Retirement Allowances Fund	1,607	1,687
Total	$2,906	$3,050

Manitoba Hydro employees are eligible for pensions under the Manitoba Civil Service Superannuation Fund, which requires Manitoba Hydro to contribute 50% of the pension disbursements, made to retired employees. Based on an actuarial formula, Manitoba Hydro and its subsidiaries have a liability for pension obligations at March 31, 2001 of approximately $443 million ($425 million as at March 31, 2000), which was fully funded.

THE MANITOBA HYDRO-ELECTRIC BOARD

The Manitoba Hydro-Electric Board ("Manitoba Hydro") was established in 1949 by an Act of the Legislature of the Province as an agent of the Crown in right of the Province to provide for a supply of electrical power adequate for the needs of Manitoba, and to promote economy and efficiency in the generation, distribution, supply and use of electrical power within Manitoba.

In 1997, amendments were made to the *Manitoba Hydro Act* to provide wholesale competition and transmission access in the Manitoba electrical market and allow Manitoba Hydro to offer new products and services, create subsidiaries and enter into joint ventures and business alliances.

Manitoba Hydro serves the entire Province except for that portion of the City of Winnipeg served by the City of Winnipeg Hydro Electric System ("Winnipeg Hydro"). The electrical systems of Manitoba Hydro and Winnipeg Hydro are interconnected and operate as an integrated system.

At March 31, 2001, the total installed integrated electric generating capability in the Province was 5,209,920 kilowatts, of which 5,071,300 kilowatts were operated by Manitoba Hydro and the remaining 138,620 kilowatts were operated by Winnipeg Hydro.

Isolated communities in northern Manitoba which are too remote to be served from the integrated system are provided with electric service by Manitoba Hydro from local diesel-electric generating stations having a total installed capacity of 8,760 kilowatts.

Of Manitoba Hydro's total generating capability at March 31, 2001, hydro-electric stations represented 95.3%, thermal-electric (coal) stations 4.5% and diesel-electric stations 0.2%. During the year ended March 31, 2001, 94.9% of the Manitoba integrated system energy input of 33.5 billion kilowatt-hours was provided by hydro-electric generation. The portion of total supply provided by thermal generation was 2.6% and by imports was 2.5%.

On July 30, 1999, Manitoba Hydro purchased Centra Gas Manitoba Inc. ("Centra Gas"), the primary gas distribution utility in Manitoba with approximately 248,000 residential, commercial and industrial customers.

Operations

Electrical

As at March 31, 2001, Manitoba Hydro owned and operated 12 hydro-electric generating stations having a total installed electric generating capability of 4,840,000 kilowatts, including five stations with a total capability of 3,918,100 kilowatts located on the Nelson River. Manitoba

Hydro also operated two thermal-electric generating stations having a total installed capability of 231,300 kilowatts.

As at March 31, 2001, the high voltage transmission facilities of Manitoba Hydro consisted of approximately 11,587 circuit kilometres, representing a total investment of $645 million.

For purposes of exporting firm energy and for the interchange of power on a short-term basis to provide for economy of operations and system emergencies, Manitoba Hydro maintains interconnections with power facilities in the Provinces of Saskatchewan and Ontario and in the States of North Dakota and Minnesota. Manitoba Hydro's interconnections with Saskatchewan have a total transfer capability of 450,000 kilowatts and interconnections with Ontario have a capability of 263,000 kilowatts. The interconnections with the United States have a total transfer capability of 2,050,000 kilowatts.

During the fiscal year ended March 31, 2001, Manitoba Hydro sold a total of 28.8 billion kilowatt-hours of energy, representing an increase of 7.9% from the fiscal year ended March 31, 2000. Scheduled extra-provincial sales accounted for 12.2 billion kilowatt-hours, or 42.2% of total sales in the fiscal year ended March 31, 2001. The only customer in Manitoba accounting for 5% or more of total kilowatt-hours sales was Winnipeg Hydro (5.0%).

As a result of extensive interconnections with neighboring electrical utilities, higher export prices and above average water conditions, extra-provincial sales increased by $104 million to $480 million for the fiscal year ended March 31, 2001. Primarily as a result of increased extra-provincial sales, Manitoba Hydro's net income increased by $119 million to $267 million for the fiscal year ended March 31, 2001.

Natural Gas

As at March 31, 2001, Centra Gas employed 650 employees to provide natural gas distribution and related energy services to the 248,000 customers that are located in nearly 100 communities throughout southern Manitoba. Centra Gas owns a network of transmission (1,574.5 kilometers) and distribution (6,256.4 kilometers) mains to meet the natural gas requirements of these customers.

For the year ended March 31, 2001, Centra Gas contributed $3 million to consolidated net income based on total gas deliveries of 76.7 billion cubic feet. These gas deliveries were comprised of 24.7 billion cubic feet to residential customers, 34.4 billion cubic feet to commercial and industrial customers and 17.6 billion cubic feet of transportation deliveries.

Rate Matters

Manitoba Hydro's rates for electricity sales within the province are set on a cost of service basis and are subject to review and approval by The Public Utilities Board of Manitoba ("PUB"). Manitoba Hydro did not seek a rate increase for electricity customers for the 2001/02 fiscal year. As a result, residential rates will have remained unchanged for four fiscal years and rates for large industrial customers have been held constant for the last ten years.

On August 22, 2001, an Order in Council was signed by Manitoba which equalizes Manitoba's rural and urban electricity rates effective November 1, 2001. The rate decrease to rural customers will reduce electric revenues by approximately $14 million per year.

Centra Gas is regulated by PUB on a rate base/rate of return basis and natural gas is a flow-through cost to customers, recoverable from customers through future rate adjustments. The last PUB review of the rate base and rate of return was in 1998 and authorized a rate base of $280 million and an allowed return of 9.91%.

In July 2000, Centra Gas introduced a rate management program that incorporates rate adjustments to customers every three months to mitigate the impact of fluctuations in the price of natural gas. Based on this program, the PUB approved rate adjustments for residential customers as follows: a rate increase of 16% in August 2000, 11% in November 2000 and 26% in February 2001. Industrial customers also experienced general increases in the range of 16% to 29% in

August 2000, 11% to 18% in November and 25% to 39% in February 2001 depending on consumption throughout these periods.

Statistical Information

The following table sets forth certain statistical information for the last five years.

	Year Ended March 31,				
	1997	1998	1999	2000	2001
Electricity					
Integrated System Installed Generating Capability (1) (in megawatts)	5,343	5,137	5,137	5,116	5,210
Manitoba Firm Peak Demand (in Megawatts)	3,409	3,490	3,559	3,524	3,636
Manitoba & Winnipeg Hydro Integrated System Electric Energy (in millions of kilowatt-hours)					
Generated	31,877	34,060	30,060	30,155	32,697
Purchased	1,201	942	1,225	870	834
	33,078	35,002	31,285	31,025	33,531
Losses and Internal Use	3,601	3,910	3,577	3,471	3,780
Total Electric Energy Sales	29,477	31,092	27,708	27,554	29,751
Electric Energy Sales (2) (in millions of kilowatt-hours)					
Manitoba	16,068	15,895	16,288	15,777	16,653
Extra-provincial	11,499	13,567	11,404	10,911	12,154
Total Electric Energy Sales	27,567	29,462	27,692	26,688	28,807
Revenue from Sale of Power (in thousands of dollars)					
Manitoba	$749,769	$738,698	$748,277	$737,230	$781,064
Extra-provincial	267,655	296,958	326,200	376,570	479,673
Total Revenue from Sale of Power	$1,017,424	$1,035,656	$1,074,477	$1,113,800	$1,260,737
Number of Customers (at end of period)	391,401	394,328	398,863	402,023	403,040
Average Revenue per kilowatt-hour					
Manitoba	4.67¢	4.65¢	4.59¢	4.67¢	4.69¢
Extra-provincial	2.33	2.19	2.86	3.45	3.95
Average Cost per kilowatt-hour of Electric Energy Sold (excluding finance expense)	1.82¢	1.73¢	2.05¢	2.13¢	2.13¢
Natural Gas (3)					
Gas Deliveries (in billions of cubic feet)					
Residential				18.7	24.7
Commercial/Industrial				25.6	34.4
Transportation				12.9	17.6
Total Gas Deliveries				57.2	76.7
Number of Customers (at end of period)				245,761	248,074
Revenue from Sale of Natural Gas (in thousands of dollars)					
Residential				$136,763	$239,969
Commercial/Industrial				129,482	258,672
Transportation				1,388	1,836
Other				1,074	2,803
Total Revenue from the Sale of Natural Gas				$268,707	$503,280
Rate Base (in thousands of dollars) (4)				$280,097	$280,097
Allowed Rate of Return (4)				9.91%	9.91%

(1) Starting in 1997/98, Manitoba Hydro adopted the Uniform Rating of Generating Equipment for reporting the capability of its generating stations. Prior years have not been restated.

(2) Manitoba energy sales are based on the net energy transfer to Winnipeg Hydro and exclude internal energy use. Extra-provincial energy sales are based on scheduled energy deliveries and exclude energy supplied out of province for delivery out of province.

(3) Statistics are based on Centra Gas operations from the July 30, 1999 acquisition date.

(4) Rate base and rate of return values are based on the last approved figures approved by PUB in 1998.

For information with respect to the operating financial results, balance sheet and statement of changes in financial position of Manitoba Hydro, see "Tables of Supplementary Information — Tables VII, VIII and IX."

Construction Program

The following table summarizes Manitoba Hydro's capital expenditure for improvements and expansion of its facilities during the four-year period ended March 31, 2001, and the estimated capital expenditure to meet future demands for electricity and natural gas in the Province during the five-year period ending March 31, 2006.

CAPITAL EXPENDITURE

	Year Ending March 31,						
					Estimated		
	1998	1999	2000	2001	2002	2003	2004-2006
Electricity							
Generating Plant	$49,211	$60,387	$63,933	$109,811	$168,228	$84,741	$216,268
Major Transmission & Stations	47,289	94,003	107,025	81,102	82,321	87,161	357,864
Distribution & Other	151,580	177,215	150,880	150,148	167,327	140,069	440,408
Natural Gas							
Distribution & Other	—	—	7,613	21,121	27,574	29,683	89,432
	$248,080	$331,605	$329,451	$362,182	$445,450	$341,654	$1,103,972

The estimated capital expenditure of $1,891 million for the five-year period ending March 31, 2006, together with approximately $777 million of debt maturities, net of projected sinking fund withdrawals and sinking fund contributions for the same period, total $2,668 million. Manitoba Hydro expects approximately 77% of these requirements will be obtained from internally generated funds. These amounts do not include any of the possible new hydraulic projects discussed below.

Manitoba Hydro has five generating stations with a total installed generating capability of 3,918 megawatts along the Nelson River. Manitoba Hydro estimates the total potential hydro-electric generating capacity of the overall Nelson River development to be in excess of 7,500 megawatts.

Construction is underway on a $183 million combustion turbine plant in Brandon. The two natural gas fired Combustion Turbines ("CT") will have a total capacity of 260 megawatts. The first turbine unit is scheduled to be on line in May 2002. This new CT project will allow Manitoba Hydro to better optimize the operations of the hydraulic generating stations and provide for increased system reliability during periods of drought.

It is projected that no new major hydraulic generation will be required to serve the Manitoba domestic market and committed export requirements until at least 2019. Manitoba Hydro is currently exploring the feasibility of building a new hydro-electric generating station prior to that date in order to take advantage of export market opportunities. Such a plant may be built through a joint-venture partnership with First Nations located in the vicinity of the site. Manitoba Hydro has reached non-binding agreements in principle with two communities covering up to three possible generating station projects. Manitoba Hydro has determined that a new station could be in-service by as early as 2009 if a decision to proceed is made in the near future.

As a result of Manitoba Hydro's generation and transmission activities, a number of communities have experienced adverse impacts. In an effort to provide fair compensation to these communities, Manitoba Hydro has been engaged in discussions to reach agreements in principle and settlement agreements. To date, Manitoba Hydro has committed $441 million for compensation and/or mitigation initiatives and has negotiated settlement agreements with four of the five communities covered by the 1977 Northern Flood Agreement ("NFA") and compensation/ mitigation agreements with numerous communities outside the NFA.

Manitoba Hydro is pursuing discussions with The Cross Lake First Nation, the fifth NFA community, in order to determine how best to implement the NFA. In addition, discussions are ongoing to reach concluding arrangements with the remaining communities not covered by the NFA.

MANITOBA INTEGRATED SYSTEM
EXISTING AND POTENTIAL GENERATING STATIONS

EXISTING GENERATING STATIONS

Generating Station	River	Winter Capability (in Megawatts)
Pine Falls	Winnipeg	88
Great Falls	Winnipeg	130
McArthur Falls	Winnipeg	54
Seven Sisters	Winnipeg	160
Slave Falls (Winnipeg Hydro)	Winnipeg	63
Pointe Du Bois (Winnipeg Hydro)	Winnipeg	76
Grand Rapids	Saskatchewan	480
Laurie River I and II	Laurie	11
Jenpeg	Nelson	119
Kelsey	Nelson	213
Kettle	Nelson	1,232
Long Spruce	Nelson	1,023
Limestone	Nelson	1,330
Total Hydraulic Capability		4,979
Brandon & Selkirk Thermal		231
Total System Capability		5,210

POTENTIAL HYDRAULIC SITES (1)

Conawapa	Nelson	1,230
Gillam Island	Nelson	820
Gull	Nelson	630
Whitemud	Nelson	310
Red Rock	Nelson	190
Wuskwatim	Burntwood	205
Manasan	Burntwood	195
First Rapids	Burntwood	225
Notigi	Burntwood	100
		3,905
Total		9,115

(1) Net capacity addition to the integrated system.

Export Power Sales

In 1984, a contract was signed with Northern States Power Company of Minneapolis, Minnesota for the export of 500 megawatts of firm power for a twelve-year period, which commenced in May 1993.

Manitoba Hydro signed 150 megawatt Seasonal Diversity Exchange Agreements with United Power Association and with Northern States Power Company. These Agreements both began in 1995 and will continue for approximately 20 years. A third Seasonal Diversity Exchange for 200 megawatts with Northern States Power began in 1996 and will continue to 2016. These Seasonal Diversity Exchange Agreements provide that power may be exported from Manitoba in the summer months and returned to Manitoba in the winter months.

Other long-term export power sales include:

- 200 megawatt sale to Ontario Power Generation Inc., formerly a part of Ontario Hydro 1998-2003
- 50 megawatt sale to Otter Tail Power 1997-2005

- 50 megawatt sale to Otter Tail Power 2000-2010
- 30-60 megawatt sale to Minnesota Municipal Power Agency 2000-2012
- 100 megawatt sale to Wisconsin Public Service 2002-2007

In late 1996, Manitoba Hydro became a member of the Mid-Continent Area Power Pool ("MAPP") which provides access to a market of over 70 entities. Under the MAPP agreement, contracts have been entered into with utilities in Minnesota, North Dakota, Wisconsin and with United States marketers. Manitoba Hydro makes short-term power sales on an on-going basis to SaskPower, Ontario Power Generation Inc. and numerous utilities and marketers in the upper mid-west United States and in Canada.

On September 28, 2001, Manitoba Hydro announced it had reached a Coordination Agreement with the Midwest Independent Transmission System Operator, Inc. (the Midwest ISO) which allows Manitoba Hydro to participate in the Midwest ISO. The relationship with the Midwest ISO provides Manitoba Hydro with non-discriminatory transmission access to the membership base of the Midwest ISO consisting of ten states. The Midwest ISO will be responsible for directing the flow of up to 81,000 MW of power over more than 70,000 miles of high voltage transmission lines.

In recent years, deregulation in the United States and increasing competition have substantially changed the market environment in which Manitoba Hydro operates. In response to these changes, the 1997 amendments to the *Manitoba Hydro Act* were enacted and Manitoba Hydro has, among other things, restructured itself into distinct business units, obtained full membership in MAPP and implemented an open access tariff for wholesale transactions. Manitoba Hydro is actively pursuing new business opportunities, and believes that its cost structure and geographic location position it to compete effectively in the new market environment.

CANADIAN FOREIGN EXCHANGE

Canada maintains a floating exchange rate. Average noon spot exchange rates for the major foreign currencies in which direct and guaranteed debt of the Province is denominated, expressed in Canadian dollars, are shown in the table below for 1996 through 2000.

Foreign Currency	Average Noon Spot Rates				
	1996	1997	1998	1999	2000
	(Canadian dollars per unit of foreign currency)				
United States Dollars (1)	$1.3636	$1.3844	$1.4831	$1.4858	$1.4852
Swiss Francs	1.1051	0.9548	1.0258	0.9901	0.8793
Japanese Yen	0.01255	0.01145	0.01139	0.01311	0.01378

(1) The high and low spot rates for the U.S. dollar expressed in Canadian dollars are as follows:

	1996	1997	1998	1999	2000
High	$1.3865	$1.4399	$1.5845	$1.5475	$1.5632
Low	1.3287	1.3345	1.4040	1.4420	1.4378

Source: Bank of Canada.

At March 31, 2001, the noon spot exchange rate for U.S. dollars as reported by Bank of Canada, expressed in Canadian dollars, was $1.5774.

TABLES OF SUPPLEMENTARY INFORMATION

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I. STATEMENT OF OPERATING FUND REVENUE

	Year Ending March 31,				
	1998	1999	2000	2001	Budget Estimate 2002
	(In thousands of dollars)				
Income Taxes					
Individual Income Tax	$1,431,076	$1,807,157	$1,611,231	$1,756,647	$1,754,350
Corporation Income Tax	192,703	215,228	306,819	444,127	375,200
Succession Duty and Gift Tax	40	40	40	40	40
	1,623,818	2,022,425	1,918,090	2,200,814	2,129,590
Other Corporation Taxes					
Corporation Capital Tax	118,688	120,167	134,544	124,182	137,500
Insurance Corporations Tax	36,079	38,836	39,683	41,764	41,452
Levy for Health and Education	216,194	224,122	225,255	238,785	241,400
	370,961	383,125	399,483	404,731	420,352
Federal Transfers					
Equalization	1,164,320	912,382	1,271,747	1,339,236	1,306,100
Health and Higher Education Cash Transfer	—	—	130,595	—	—
Canada Health and Social Transfer	507,139	513,301	509,247	638,017	677,800
Other	212,670	133,941	161,506	114,112	143,822
	1,884,129	1,559,624	2,073,095	2,091,365	2,127,722
Sales Taxes					
Retail Sales Tax	830,142	883,563	917,667	932,783	957,600
Commercial Energy Consumption Tax	51,767	55,330	56,966	67,981	65,600
	881,909	938,894	974,633	1,000,764	1,023,200
Gasoline and Motive Fuel Taxes	218,085	224,384	218,433	223,548	224,000
Luxury Taxes					
Liquor Control Commission	149,432	151,710	156,304	158,613	161,250
Tobacco Tax	112,752	114,065	112,532	121,478	135,500
Lottery Revenue	220,265	225,130	225,043	238,455	240,000
	482,449	490,905	493,878	518,546	536,750
Natural Resource Revenue					
Oil and Minerals Taxes and Royalties	36,173	9,590	17,097	57,003	30,043
Water Power Rental Charges	55,708	48,298	48,725	53,369	103,100
Forestry	6,281	6,448	6,405	6,045	6,547
Fisheries and Wildlife	273	301	294	340	271
1997 Flood Proofing Program	—	229	148	1,129	1,693
Other	19,651	22,022	20,908	20,706	20,386
	118,088	86,887	93,576	138,592	162,040
Other Fees, Permits, Licenses and Taxes					
Motor Vehicles and Drivers' Licenses	69,946	70,438	69,712	71,858	76,559
Crown Corporations	697	3,200	4,090	5,626	7,250
Fines and Other Legal Fees	18,972	20,363	20,512	23,446	25,371
Land Transfer Tax	11,783	11,505	12,049	12,392	11,900
Other	51,986	61,299	48,329	50,340	46,371
	153,384	166,804	154,692	163,662	167,451

I. STATEMENT OF OPERATING FUND REVENUE (continued)

	Year Ending March 31,				
	1998	1999	2000	2001	Budget Estimate 2002
	(In thousands of dollars)				
Sale of Government Assets	$518	$491	$3,291	$494	$2,200
Conditional Transfers from Municipalities	8,609	8,495	8,630	9,541	10,094
Total Revenue Before Transfers from Fiscal Stabilization Fund (1)	$5,741,951	$5,882,034	$6,337,801	$6,752,057	$6,803,399

(1) See notes to "Statement of Operating Fund Transactions" for details of comments made by the Provincial Auditor.

II. STATEMENT OF OPERATING FUND EXPENSES

	Year Ending March 31,				
	1998	1999	2000	2001	Budget Estimate 2002
	(In thousands of dollars)				
Health and Community Services					
Health	$1,914,560	$2,057,954	$2,310,004	$2,507,752	$2,587,796
Community Support Programs	6,143	6,250	6,295	5,953	6,033
Family Services	655,480	660,887	743,289	774,255	808,578
Seniors Directorate (1)	518	668	918	770	787
Status of Women	845	872	1,124	1,079	1,217
Children & Youth Secretariat (1)	728	2,334	6,029	12,488	18,281
	2,578,274	2,728,965	3,067,659	3,302,297	3,422,692
Education					
Education and Training	1,045,776	1,120,510	1,187,354	1,265,908	1,301,359
Economic and Resource Development					
Agriculture	94,800	98,737	205,568	161,969	122,089
Housing (1)	48,571	39,718	—	—	—
Fitness and Sport	14,903	15,519	10,546	11,463	10,368
Energy and Mines (1)	13,020	17,802	—	—	—
Environment (1)	12,933	13,378	—	—	—
Highways and Government Services	219,415	234,423	292,173	297,542	311,222
Industry, Trade and Mines	36,457	43,425	88,134	45,698	50,746
Conservation	105,117	131,965	140,695	148,484	148,277
Northern Affairs	16,801	18,283	20,687	22,887	24,604
Canada Manitoba Enabling Vote	39,415	22,784	21,289	30,175	100,150
Urban Economic Development Initiatives	16,259	16,659	14,459	—	—
	617,691	653,693	793,551	718,218	767,456
Intergovernmental Affairs	120,124	137,506	110,043	135,753	143,454
Public Debt					
Net Cost of Servicing Total Direct Public Debt (Interest, foreign exchange etc. after deducting recoveries from Crown organizations and short-term investment Earnings)	520,120	514,838	465,322	510,723	458,132
Manitoba Tax Credit Programs	181,213	177,964	177,725	218,102	242,155
Allowance for Losses and Expenditures Incurred by Crown organizations	109	(129)	236	958	775

II. STATEMENT OF OPERATING FUND EXPENSES (continued)

	Year Ending March 31,				
	1998	1999	2000	2001	Budget Estimate 2002
	(In thousands of dollars)				
Consumer Services, Public Protection and Other Government Services					
Justice	$177,887	$191,889	$211,666	$224,704	$230,583
Culture, Heritage and Tourism	53,083	53,333	59,240	58,486	59,815
Civil Service	45,208	52,029	56,934	47,458	61,508
Consumer and Corporate Affairs	9,860	9,734	8,903	9,059	9,758
Executive Council	3,162	3,461	4,301	3,266	3,571
Finance	28,385	30,557	48,264	45,191	48,626
Government Services	47,642	58,918	—	—	—
Legislation	16,654	19,187	28,908	21,180	22,360
Labor	12,726	13,089	21,691	24,134	24,734
Flood Control and Emergency Expenditures	217,474	60,553	136,180	24,400	20,000
Millennium Fund	—	—	2,474	—	—
Capital Initiatives	—	—	50,874	5,398	—
Aboriginal Justice Initiatives	—	49,703	—	—	—
Canada-Manitoba Infrastructure Program	15,336	10,804	5,301	—	—
	627,417	553,257	634,736	463,276	480,955
Total Expenses Before Transfer to Debt Retirement Fund (2)	$5,690,724	$5,886,604	$6,436,626	$6,615,235	$6,816,978
Capital	$326,853	$412,721	$381,819	$364,921	$394,888
Operating	5,363,871	5,473,883	6,054,808	6,250,314	6,422,090
Total Expenses Before Transfer to Debt Retirement Fund	$5,690,724	$5,886,604	$6,436,626	$6,615,235	$6,816,978

(1) Starting March 31, 2000, Seniors Directorate is part of Culture, Heritage and Tourism; Child and Youth Secretariat is part of Healthy Child Initiative; Housing is part of Family Services; Energy and Mines is part of Industry, Trade and Mines; and Environment is part of Conservation (formerly Natural Resources).

(2) See notes to "Statement of Operating Fund Transactions" for details of comments made by the Provincial Auditor.

III. SUMMARY FINANCIAL STATEMENTS —
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED MARCH 31, 2001
(with comparative figures for 2000)

	2000	2001
	(In millions of dollars)	
REVENUE		
Manitoba Collections:		
Retail Sales Tax	$918	$933
Fuel Taxes	218	224
Levy for health and education	225	239
Mining Tax	7	45
Liquor Control Commission	156	158
Manitoba Lotteries Corporation	225	239
Other Taxes	363	376
Fees and other revenue	902	907
Income Taxes:		
Corporation income tax	307	444
Individual income tax	1,611	1,757
Federal transfers:		
Equalization	1,271	1,339
Canada Health and Social Transfer	509	545
Federal Health Supplement	131	92
Shared cost and other	359	312
TOTAL REVENUE	7,202	7,610
EXPENSES		
Health	2,354	2,616
Education and Training	1,806	1,915
Family Services and Housing	819	854
Community, Economic and Resource Development	1,190	942
Justice and Other Governments	639	655
Debt servicing	479	514
TOTAL EXPENSES	7,287	7,496
NET REVENUE (EXPENSES)	(85)	114
INCREASE IN EQUITY IN GOVERNMENT ENTERPRISES	217	317
CONSOLIDATED NET INCOME	$132	$431

III. SUMMARY FINANCIAL STATEMENTS — CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2001 (with comparative figures for 2000)

	2000	2001
	(millions)	
ASSETS		
Cash and temporary investments	$ 948	$ 1,275
Amounts receivable	802	925
Inventories	24	31
Loans and advances	555	558
Equity in government enterprises	1,098	1,415
Other long-term investments	2	2
Deferred charge for non-devolved health care facilities (1)	—	138
Tangible capital assets	1,420	1,799
Pension assets	—	21
Assets of non-devolved health care facilities (2)	1,007	694
TOTAL ASSETS	5,856	6,858
LIABILITIES		
Borrowings	19,878	20,459
Less: Sinking funds	6,411	6,247
Less: Debt incurred for and repayable by the Manitoba Hydro-Electric Board, Manitoba Lotteries Corporation and Manitoba Telecom Services Inc.	5,592	5,840
	7,875	8,372
Less: Unamortized foreign currency fluctuation	215	220
Net borrowings	7,660	8,152
Accounts payable, accrued charges, provisions and deferrals	1,666	1,944
Pension liability	2,906	3,050
Liabilities of non-devolved health care facilities (2)	914	623
TOTAL LIABILITIES	13,146	13,769
ACCUMULATED DEFICIT	$ 7,290	$ 6,911

(1) Prior to the 2000/01 fiscal year, individual health care facilities issued long-term debt in their own name to finance major capital acquisitions. In 2000/01, the Province began a program to finance such debt directly, taking advantage of its superior borrowing power and rates, and lowering the cost of health related borrowings for Manitoba. This debt is included as part of the Province's general purpose borrowings. The related asset for non-devolved health care facilities is recorded as a deferred charge and amortized over the same period as the term of the debt issue.

(2) The government has adopted a policy of including the assets, liabilities and equity of health care facilities, which have not devolved their ownership to Regional Health Authorities in its financial statements on a combined basis. However, the annual net income (deficit) is recorded in the Consolidated Statement of Accumulated Deficit instead of the Consolidated Statement of Revenue and Expense. The assets and liabilities are not adjusted on a basis to be consistent with the accounting policies of the government reporting entity.

IV. SUMMARY FINANCIAL STATEMENTS — GOVERNMENT ENTERPRISES (1)

SUMMARY OF CONSOLIDATED OPERATING RESULTS AND FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 2001*
(with comparative figures for 2000)

	Utilities	Insurance	Finance	Resource Development	Total 2001	Total 2000
			(In millions of dollars)			
Results of Operations						
Revenues:						
From operations	$1,777	$839	$666	$1	$3,283	$2,840
Transfers from the government	—	—	—	—	—	—
Total revenues	1,777	839	666	1	3,283	2,840
Expenses:						
From operations	1,087	792	269	1	2,149	1,821
Transfers to the government	—	—	397	—	397	381
Debt servicing	420	—	—	—	420	421
Total expenses	1,507	792	666	1	2,966	2,623
Increase in equity in government Enterprises	$270	$47	$—	$—	$317	$217

* For enterprises whose fiscal year is prior to March 31, the amounts reflected are as at their fiscal year end.

(1) Government enterprises consist of the following as at March 31, 2001:

Utilities:
The Manitoba Hydro-Electric Board

Insurance:
Manitoba Public Insurance Corporation
The Workers Compensation Board

Finance:
Liquor Control Commission
Manitoba Lotteries Corporation
The Manitoba Product Stewardship Corporation

Resource Development:
Leaf Rapids Town Properties Ltd.
The Manitoba Hazardous Waste Management Corporation

V. STATEMENT OF DIRECT FUNDED DEBT OF THE PROVINCE

AS AT MARCH 31, 2001

Series	Date of Maturity	Year of Issue	Interest Rate (%)	Amount Outstanding (In thousands of dollars)	Ref.
Debenture Loans					
(A) Payable in Canadian Dollars:					
DZ	4-Sep-01	1996	6.50	$250,000	(1)
BJ	3-Sep-02	1987/8	9.75	374,006	(1)
DA	7-Apr-03	1993	7.875	300,000	(1)
EH	14-Jan-03	1999	5.00	100,000	(1)
EK	15-Jul-04	1999	5.65	300,000	(1)
DR	15-Nov-04	1994	9.375	500,000	(1)
EN	22-Jun-05	2000	6.25	250,000	(1)
EN	22-Jun-05	2000	6.25	300,000	(1)
DX	5-Jun-06	1996	7.75	250,000	(1)
EI	3-Mar-06	1999	5.25	150,000	(1)
EJ	1-Dec-06	1999	5.10	200,000	(1)
	1-Dec-06		5.10	50,000	(1)
EC	16-May-07	1997	6.625	300,000	(1)
EB	21-May-07	1997	7.00	125,000	(1)
ED	2-Jun-08	1997	5.75	300,000	(1)
ED-2	2-Jun-08	1997	5.75	284,060	(1)
ED-3	2-Jun-08	1998	5.75	92,686	(1)
EG	2-Mar-09	1998	5.25	350,000	(1)
	2-Mar-09	1999	5.25	150,000	(1)
EL	1-Sep-09	1999	6.25	50,000	(1)
	1-Sep-09	1999	6.25	200,000	(1)
EO	25-Jan-11	2001	5.85	325,000	(1)
CM	15-May-11	1991	10.00	199,922	(1)(6)
	15-May-11	1991	10.00	100,000	(1)(6)
DE	22-Jul-13	1993	8.50	300,000	(1)
DT	22-Dec-25	1995	7.75	300,000	(1)
CL	5-Mar-31	1991	10.50	599,945	(1)
				$6,700,619	
Medium-Term Notes					
H004-MTN	29-Nov-02	2001	5.00	35,000	(1)
C013-MTN	18-Dec-02	1997	5.39	77,000	(1)(3)
C029-MTN	17-Jan-03	2000	Floating	220,000	(1)
H002-MTN	17-Jan-03	2000	Floating	25,000	(1)
H003-MTN	17-Jan-03	2000	Floating	50,000	(1)
L001-MTN	17-Jan-03	2000	Floating	30,000	(1)
C030-MTN	14-Feb-03	2000	Floating	75,450	(1)
C017-MTN	2-Jun-03	1998	5.00	50,000	(1)
C010-MTN	18-Sep-03	1997	5.50	25,000	(1)
H001-MTN	30-Jun-05	2000	Floating	48,000	(1)
C007-MTN	2-Apr-07	1997	Step	25,000	(4)
C025-MTN	12-Mar-07	1999	Floating	20,000	(1)
C008-MTN	24-Apr-07	1997	Floating	9,000	(1)
C015-MTN	11-Mar-08	1998	Step	25,000	(4)
C019-MTN	31-Mar-08	1998	5.90	12,000	(4)
C020-MTN	31-Mar-08	1998	5.705	10,000	(4)
C021-MTN	2-Apr-08	1998	6.02	50,000	(4)
C028-MTN	27-Apr-09	1999	5.55	20,000	(4)
C014-MTN	25-Feb-10	1998	Step	25,000	(5)
C016-MTN	2-Mar-10	1998	6.20	25,000	(4)
C018-MTN	31-Mar-10	1998	6.20	15,000	(4)

V. STATEMENT OF DIRECT FUNDED DEBT OF THE PROVINCE — (continued)

Series	Date of Maturity	Year of Issue	Interest Rate (%)	Amount Outstanding (In thousands of dollars)	Ref.
C027-MTN	19-Apr-10	1999	Step	$15,000	(5)
C022-MTN	15-Jul-10	1998	5.50	40,000	(1)
C026-MTN	23-Mar-11	1999	5.94	15,000	(4)
C009-MTN	25-Sep-12	1997	Step	25,000	(5)
C011-MTN	22-Sep-17	1997	6.50	100,000	(1)
C011-2 MTN	22-Sep-17	1997	6.50	55,454	(1)
C011-3 MTN	22-Sep-17	1997	6.50	125,000	(1)
C012-MTN	22-Sep-17	1997	6.50	50,000	(1)
C012-MTN	22-Sep-17	1997	6.50	50,000	(1)
L004-MTN	22-Sep-17	2000	6.50	25,000	(1)
C024-MTN	20-Aug-18	1998	6.75	20,000	(4)
C023-1 MTN	15-Nov-18	1998	5.50	75,000	(4)
C023-2 MTN	15-Nov-18	1998	5.50	25,000	(1)
L003 MTN	15-Nov-18	2000	5.50	75,000	(1)
C031 MTN	5-Mar-40	2000	6.20	176,000	(1)
D029-MTN	29-Nov-02	2001	5.00	40,000	(1)
D005-MTN	15-Jul-03	1998	4.75	100,000	(1)
		1999	4.75	50,000	(1)
D028	13-Oct-03	2000	Floating	5,000	(1)
D006-MTN	15-Dec-03	1998	Step	20,000	(5)
D027-MTN	1-Sep-04	1998	Step	15,000	(5)
D016-MTN	15-Sep-04	1999	Step	21,000	(5)
D012-MTN	15-Sep-04	1999	Step	15,000	(5)
D014-MTN	15-Nov-04	1999	5.10	25,000	(1)
D019-MTN	15-Jul-05	1999	5.80	17,500	(5)
D024-MTN	15-Jan-06	1999	Step	30,000	(5)
D030-MTN	12-Dec-06	2001	Floating	20,000	(1)
D018-MTN	15-Mar-07	1999	Floating	11,000	(1)
D008-MTN	15-Sep-08	1998	Floating	25,000	(5)
D015-MTN	15-Mar-09	1999	Step	15,000	(5)
D013-MTN	15-Nov-09	1999	5.10	25,000	(4)
D010-MTN	15-Jan-09	1998	5.50	10,000	(5)
D017-MTN	15-Mar-10	1999	Step	15,000	(4)
D026-MTN	14-Apr-10	2000	Floating	15,000	(5)
D001-MTN	15-Jul-10	1999	6.00	30,000	(5)
D002-MTN	15-Jul-10	1998	6.10	20,000	(4)
D007-MTN	15-Sep-10	1998	Step	20,000	(5)
D004-MTN	15-Oct-10	1998	5.75	10,000	(4)
D011-MTN	15-Mar-11	1999	5.75	20,000	(4)
D020-MTN	15-Sep-11	1999	Step	25,000	(4)
D003-MTN	1-Jun-18	1998	6.40	28,668	(5)
D009-MTN	15-Jan-19	1999	5.76	17,000	(5)
D025-MTN	5-Mar-31	2000	6.30	100,000	(5)
D025-1-MTN	5-Mar-31	2000	6.30	150,000	(5)
D025-2-MTN	5-Mar-31	2000	6.30	60,000	(5)
				2,698,072	
Canadian Issues Swapped to USD:					
C013	18-Dec-02	1997	5.39	77,000	
EN	22-Jun-05	2000	6.25	300,000	(1)
				(377,000)	

V. STATEMENT OF DIRECT FUNDED DEBT OF THE PROVINCE — (continued)

Series	Date of Maturity	Year of Issue	Interest Rate (%)	Amount Outstanding (In thousands of dollars)		Ref.
Foreign Issues Swapped to Canadian Dollars:						
CN	15-May-01	1991	8.75	$146,190		
DO	28-Sep-01	1994	Floating	40,807		
L002	5-Sep-02	2000	6.495	42,300		
CZ	1-Mar-03	1993	6.70	129,674		
	1-Mar-03	1993	6.75	266,000		
DB	14-Apr-03	1993	6.25	81,947		
	14-Apr-03	1993	6.20	42,427		
H005	30-Sep-03	2001	Floating	62,000		
DF	28-Nov-03	1993	Floating	36,600		
DI	8-Mar-04	1994	Floating	86,226		
DK	28-Jun-04	1994	Floating	79,519		
DN	19-Jul-04	1994	Floating	64,904		
U002	23-Feb-05	1995	7.1575	35,277		
DW	14-Jun-06	1996	7.998	65,164		
EF	1-Oct-08	1998	6.49	72,019		
EM	22-Feb-10	2000	Floating	66,500		
	22-Feb-10	2000	5.9432	100,000		
	22-Feb-10	2000	5.927	50,000		
	22-Feb-10	2000	6.35	75,000		
C033	15-Mar-11	2001	Floating	15,490		
AZ	17-Jul-16	1986	Floating	200,630		
BM	15-Jan-18	1988	Floating	254,960		
BU	1-Dec-18	1988	9.625	136,375		
CB	15-Jan-20	1990	8.80	136,475		
CD	1-Apr-20	1990	9.250	337,890		
				2,624,374	11,646,065	
(B) Payable in U.S. Dollars:						
CN	15-May-01	1991	8.75	473,220		(1)
CP	1-Feb-02	1992	7.75	788,700		(1)
CQ	15-Apr-02	1992	8.00	473,220		(1)
CT	15-Sep-02	1992	6.875	473,220		(1)
CZ	1-Mar-03	1993	6.75	473,220		(1)(2)
DH	19-Jan-04	1994	6.125	552,090		(1)
EF	1-Oct-08	1998	5.500	394,350		(1)(2)
EM	22-Feb-10	2000	7.50	236,610		(1)(2)
	22-Feb-10	2000	7.50	236,610		(1)(2)
	22-Feb-10	2000	7.50	315,480		(1)(2)
AZ	17-Jul-16	1986	7.75	235,648		(1)(2)
BM	15-Jan-18	1988	9.125	315,480		(1)(2)
EE	15-Sep-18	1988	9.50	315,480		(1)
BU	1-Dec-18	1988	9.625	473,220		(1)
CB	15-Jan-20	1990	8.80	394,350		(1)
CD	1-Apr-20	1990	9.25	473,220		(1)
CO	15-Sep-21	1991	8.875	473,220		(1)
				7,097,338		
Medium-Term Notes (Payable in U.S. Dollars)						
H005	30-Sep-03	2001	Floating	63,096		
U002	23-Feb-05	1995	7.47	39,435		(1)(2)
C033	15-Mar-11	2001	Step	15,774		
				118,305		

V. STATEMENT OF DIRECT FUNDED DEBT OF THE PROVINCE — (continued)

Series	Date of Maturity	Year of Issue	Interest Rate (%)	Amount Outstanding (In thousands of dollars)		Ref.
Foreign Issues swapped to Canadian Dollars:						
CN	15-May-01	1991	8.75	$157,740		
CZ	1-Mar-03	1993	6.75	473,220		
DB	14-Apr-03	1993	6.20	45,547		
H005	30-Sep-03	2001	Floating	63,096		
U002	23-Feb-05	1995	7.47	39,435		
EF	1-Oct-08	1998	5.50	78,870		
EM	22-Feb-10	2000	Floating	315,480		
C033	15-Mar-11	2001	Step	15,774		
AZ	17-Jul-16	1986	7.75	235,648		
BM	15-Jan-18	1988	9.125	315,480		
BU	1-Dec-18	1988	9.625	157,740		
CB	5-Jan-20	1990	8.80	157,740		
CD	1-Apr-20	1990	9.25	394,350		
				(2,450,120)		
Foreign Issues swapped to U.S. Dollars:						
CW	18-Nov-02	1992	Floating	129,635		
C013	18-Dec-02	1997	Floating	85,337		
DB	14-Apr-03	1993	6.20	91,095		
DC	22-Apr-03	1993	Floating	155,590		
DD	27-May-03	1993	Floating	85,180		
DM	3-Aug-04	1994	Floating	76,110		
EN	22-Jun-05	2000	6.84	318,635		
C032	12-Oct-10	2000	6.87	74,059		
				1,015,640	5,781,163	
(C) Payable in Swiss Francs:						
DC	22-Apr-03	1993	5.25	136,260		(1)(3)
				136,260		
Swapped to U.S. Dollars:						
DC	22-Apr-03	1993	5.25	136,260		
				(136,260)	0	
(D) Payable in Japanese Yen:						
DO	28-Sep-01	1994	4.75	37,680		(1)(2)
L002	5-Sep-02	2000	0.46	37,680		(1)(2)
CW	18-Nov-02	1992	5.50	125,600		(1)(3)
DB	14-Apr-03	1993	4.92	169,560		(1)(3)(2)
DD	27-May-03	1993	5.10	75,360		(1)(3)
DF	28-Nov-03	1993	4.10	37,680		(1)(2)
DI	8-Mar-04	1994	4.03	87,920		(1)(2)
DK	28-Jun-04	1994	4.20	75,360		(1)(2)
DN	19-Jul-04	1994	4.70	62,800		(1)(2)
DM	3-Aug-04	1994	4.50	62,800		(1)(3)
DW	14-Jun-04	1996	3.45	62,800		(1)(2)
C032	12-Oct-10	2000	1.8950	62,800		(1)(3)
				898,040		

V. STATEMENT OF DIRECT FUNDED DEBT OF THE PROVINCE — (continued)

Series	Date of Maturity	Year of Issue	Interest Rate (%)	Amount Outstanding (In thousands of dollars)		Ref.
Japanese Yen Issues swapped to Canadian Dollars:						
DO	28-Sep-01	1994	4.75	$37,680		
L002	5-Sep-02	2000	0.46	37,680		
DB	14-Apr-03	1993	4.92	84,780		
DF	28-Nov-03	1993	4.10	37,680		
DI	8-Mar-04	1994	4.03	87,920		
DW	14-Jun-04	1996	3.46	62,800		
DK	28-Jun-04	1994	4.20	75,360		
DN	19-Jul-04	1994	4.70	62,800		
				(486,700)		
Japanese Yen Issues swapped to U.S. Dollars:						
CW	18-Nov-02	1992	5.50	125,600		
DB	14-Apr-03	1993	4.92	84,780		
DD	27-May-03	1993	5.10	75,360		
DM	3-Aug-04	1994	4.50	62,800		
C032	12-Oct-10	2000	1.90	62,800		
				(411,340)	0	
Builder Bonds (Payable in Canadian Dollars)						
#4	15-Jun-03	1998	FLOATING	22,459		(10)
	15-Jun-01	1998	FIXED	81,553		(1)
	15-Jun-03	1998	DISCOUNT	14,623		(1)
#5	15-Jun-04	1999	FLOATING	13,985		(10)
	15-Jun-02	1999	FIXED	193,809		(1)
	15-Jun-04	1999	DISCOUNT	30,377		(1)
#6	15-Jun-05	2000	FLOATING	79,329		(10)
	15-Jun-03	2000	FIXED	313,016		(1)
	15-Jun-05	2000	DISCOUNT	36,598	785,749	(1)
Canada Pension Plan (Payable in Canadian Dollars)						
	Var. 2001-12				1,394,972	(12)
Province of Manitoba Promissory Notes					20,800	
Treasury Bills Payable in Canadian Dollars:						
	Various	2001-2002			325,000	(11)
	TOTAL BORROWINGS.....				$19,953,749	

VI. STATEMENT OF SECURITIES GUARANTEED BY THE PROVINCE

AS AT MARCH 31, 2001

Series	Date of Maturity	Year of Issued	Interest Rate (%)	Amount Outstanding (In thousands of dollars)		Ref.
DEBT OF SELF-SUPPORTING UTILITIES:						
The Manitoba Hydro-Electric Board						
Savings Bonds: (Payable in Canadian Dollars)						
1	15-Jun-92	1989	Matured	88		
2	15-Jun-93	1990	Matured	27.8		
3	15-Jun-96	1991	Matured	253.5		
4	15-Jun-97	1992	Matured	684		
5	15-Jun-01	1996	Floater	103,567		(10)(7)
6	15-Jun-02	1997	Floater	12,264		(10)
	15-Jun-00	1997	Matured	1,276		
	15-Jun-02	1997	6.05	99,009	217,170	
Manitoba Hydro Promissory Notes						
			Floating USD	0		
			Floating CDN	190,000	190,000	
Total Self-Supporting Guaranteed Debt					$407,170	
Debt of Institutions on which the debt servicing costs including principal repayments are paid in whole or in part from the Consolidated Fund:						
The University of Manitoba						
Debenture Loans Payable in Canadian Dollars:						
1R	15-Apr-01	1971	7.50		158	(9)
Grow Bonds					8,774	(8)
Total Securities Guaranteed					$416,102	

References:

1. Non-callable.
2. All or part swapped into Canadian dollars.
3. All or part swapped to U.S. dollars.
4. Callable as per terms.
5. Extendable as per terms.
6. Retractable at holder's option on May 15, 2001.
7. Interest is 5.0% minimum.
8. The Province has only guaranteed the principal portion of the issue.
9. Serial issue — various annual or semi-annual maturities.
10. Redeemable at holder's option on each June 15 and December 15 prior to maturity.
11. 91-day Treasury Bills issued to the public in the amount of $25,000,000 weekly.
12. Held by and callable at par at the option of the Minister of Finance of Canada on 6 months' notice, subject to the requirements of the Canada Pension Plan.

VII. MANITOBA HYDRO

CONSOLIDATED STATEMENT OF OPERATIONS

	For the Year Ended March 31,				
	1997	1998	1999	2000	2001
	(In thousands of dollars)				
Revenues					
Electric					
Manitoba	$749,769	$738,698	$748,277	$737,230	$781,063
Extra-provincial	267,655	296,958	326,200	376,570	479,673
Other revenue	5,161	5,420	7,153	10,499	11,683
Natural Gas	—	—	—	268,707	503,423
	1,022,585	1,041,076	1,081,630	1,393,006	1,775,842
Expenses					
Operating and administrative	223,045	211,458	222,846	270,787	289,442
Depreciation	177,420	191,002	197,969	227,165	249,425
Water rentals	51,291	55,789	50,518	50,681	55,783
Fuel and power purchased	12,793	14,149	58,813	33,221	48,164
Capital and other taxes	36,678	37,661	38,543	57,612	59,530
Cost of gas sold	—	—	—	182,043	384,038
	501,227	510,059	568,689	821,509	1,086,382
Net Income before Finance Expense	521,358	531,017	512,941	571,497	689,460
Finance Expense					
Interest on debt	498,705	505,498	506,278	514,168	540,897
Amortization of debt discount and Expense	14,353	14,812	10,768	8,699	5,822
Interest applied to construction	(15,890)	(19,508)	(19,704)	(17,279)	(17,765)
Investment income	(76,817)	(80,296)	(84,505)	(85,938)	(108,486)
	420,351	420,506	412,837	419,650	420,468
Net Income Transferred to Retained Earnings	$101,007	$110,511	$100,104	$151,847	$268,992

VIII. MANITOBA HYDRO

CONSOLIDATED BALANCE SHEET

	As at March 31,	
	2000	2001
	(In thousands of dollars)	
ASSETS		
Capital Assets		
In service	$8,437,620	$8,762,112
Less accumulated depreciation	2,390,502	2,608,876
	6,047,118	6,153,236
Construction in progress	187,517	275,449
	6,234,635	6,428,685
Current Assets		
Bank balances and temporary investments	15,427	250
Accounts receivable and accrued revenue	230,932	459,934
Interest receivable	20,417	15,678
Materials and supplies, at average cost	77,026	63,456
	343,802	539,318
Other Assets		
Pension assets	425,213	443,441
Deferred debt costs	121,227	88,148
Other deferred expenses and receivables	285,349	313,372
Sinking fund investments	1,282,123	1,148,995
	2,113,912	1,993,956
	$8,692,349	$8,961,959
LIABILITIES AND RETAINED EARNINGS		
Long-term debt net of sinking fund	$5,329,071	$4,870,824
Sinking fund shown as an asset	1,282,123	1,148,995
	6,611,194	6,019,819
Current Liabilities		
Accounts payable and accrued liabilities	160,120	192,262
Bank Overdraft	—	2,499
Notes payable	—	209,724
Accrued Interest	106,030	94,982
Current portion of long-term debt	158,623	434,829
	424,773	934,296
Other Liabilities		
Deferred liabilities and credits	205,046	253,809
Pension obligation	358,647	386,016
	563,693	639,825
Contributions in aid of construction	274,860	281,278
Retained earnings	817,829	1,086,741
	$8,692,349	$8,961,959

IX. MANITOBA HYDRO

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	As at March 31,	
	2000	2001
	(In thousands of dollars)	
Cash Provided From (Used For) Operations		
Cash receipts from customers	$1,352,510	$1,663,980
Cash paid to suppliers and employees	(567,165)	(913,221)
Interest Paid	(490,208)	(530,627)
Interest Received	78,767	113,698
	373,904	333,830
Cash Provided From (Used For) Financing		
Proceeds from long-term debt	943,546	296,893
Retirement of long-term debt	(218,387)	(608,980)
Sinking Fund Withdrawal	—	275,289
Mitigation liability	(47,658)	(1,814)
Notes Payable	(237,638)	208,314
	439,863	169,702
Cash Used For Investment		
Additions to capital assets net of Contributions	329,451	362,182
Acquisition of subsidiaries	242,228	—
Taxes paid on acquisition of subsidiaries	58,249	—
Sinking fund payment	177,900	118,865
Pension assets	7,387	—
Other	40,601	40,161
	855,816	521,208
Decrease in Cash	42,049	17,676
Cash at Beginning of Year	57,476	15,427
Cash at End of Year	$15,427	$(2,249)